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## FISCAL IMPACT REPORT

**BILL NUMBER:** CS/House Bills 2 and 3/HAFCS

**SHORT TITLE:** General Appropriation Act of 2026

**SPONSOR:** House Appropriations and Finance Committee

**LAST UPDATE:** \_\_\_\_\_ **ORIGINAL DATE:** 2/2/2026 **ANALYST:** Courtney

### APPROPRIATION\* (dollars in thousands)

| FY26       | FY27           | Recurring or Nonrecurring | Fund Affected                    |
|------------|----------------|---------------------------|----------------------------------|
|            | \$11,045,832.3 | Recurring Section 4       | General Fund                     |
|            | \$26,005.1     | Recurring Section 8       | General Fund                     |
|            | \$6,783,070.6  | Recurring                 | Various Other State Funds        |
|            | \$2,086,760.3  | Recurring                 | Internal Service Funds/Transfers |
|            | \$13,451,841.7 | Recurring                 | Federal Funds                    |
| \$29,417.0 | \$1,974,738.1  | Nonrecurring              | General Fund                     |
|            | \$447,827      | Nonrecurring              | Various Other State Funds        |
|            | \$115,165.4    | Nonrecurring              | Internal Service Funds/Transfers |
|            | \$38,794.5     | Nonrecurring              | Federal Funds                    |

\*Amounts reflect most recent analysis of this legislation.

Note: As indicated in section preambles and item appropriation language, some appropriations contained in House Bill 2 are available in in FY27 and also through future fiscal years, including but not limited to appropriations from the government results and opportunity fund and the public education reform fund.

### Sources of Information

LFC Files

## SUMMARY

### Synopsis of the HAFCS Substitute for House Bills 2 and 3

The House Appropriations and Finance Committee substitute for House Bills 2 and 3 (HB2) would increase recurring general fund spending by \$294.5 million, or 2.7 percent over the current fiscal year budget, and includes over \$2.6 billion in nonrecurring spending fund transfers (all funding sources; including over \$2 billion from the general fund). Totals include the “feed” bill for legislative agencies and session costs. The House Appropriations and Finance Committee (HAFCS) substitute for House Bills 2 and 3 (HB2) currently includes 15 sections listed below. Subsequent tables will have information on changes for recurring funding (Sections 4 and 8), and nonrecurring funding, transfers, and reauthorizations (Sections 5, 6, 7, 9, 10, and 11) along with BAR authority (Sections 12 and 13).

- Section 1, Short Title
- Section 2, Definitions

- Section 3, General Provisions
- Section 4, Fiscal Year 2027 Recurring Appropriations
- Section 5, Special Appropriations
- Section 6, Supplemental and Deficiency Appropriations
- Section 7, Information Technology Appropriations
- Section 8, Compensation Appropriations
- Section 9, Government Results and Opportunity Expendable Trust
- Section 10, Special Transportation Appropriations
- Section 11, Fund Transfers
- Section 12, FY26 Additional BAR Authority
- Section 13, FY27 BAR Authority
- Section 14. Transfer Authority
- Section 15, Severability

There is no effective date of this bill; however, a general appropriation act goes into effect on signature of the governor.

## FISCAL IMPLICATIONS

The appropriations contained in this bill are summarized as follows:

| HAFC Substitute for HB 2 & HB 3 - General Appropriation Act of 2026 (in thousands) |                |                   |  |                |                |
|--|----------------|-------------------|--|----------------|----------------|
|  | General Fund   | Other State Funds | Internal Service Funds/<br>Interagency Transfers | Federal Funds  | Total          |
| Section 4. Recurring Appropriations  |                |                   |  |                |                |
| GENERAL APPROPRIATION ACT:   |                |                   |  |                |                |
| A. LEGISLATIVE   | \$6,559.4      |                   |  |                | \$6,559.4      |
| B. JUDICIAL  | \$494,310.7    | \$31,921.6        | \$15,903.3                                       | \$5,292.7      | \$547,428.3    |
| C. GENERAL CONTROL   | \$235,135.1    | \$1,659,358.3     | \$203,595.5                                      | \$29,884.1     | \$2,127,973.0  |
| D. COMMERCE & INDUSTRY   | \$113,934.5    | \$213,366.3       | \$32,665.5                                       | \$2,686.7      | \$362,653.0    |
| E. AGRICULTURE, ENERGY & NATURAL RESOURCES   | \$146,074.8    | \$145,824.9       | \$27,022.3                                       | \$171,382.5    | \$490,304.5    |
| F. HEALTH, HOSPITALS & HUMAN SERVICES  | \$3,069,804.2  | \$1,419,500.0     | \$1,658,469.0                                    | \$10,988,409.9 | \$17,136,183.1 |
| G. PUBLIC SAFETY   | \$602,825.8    | \$206,666.8       | \$30,793.7                                       | \$92,495.8     | \$932,782.1    |
| H. TRANSPORTATION  | \$0.0          | \$842,527.0       | \$12,105.5                                       | \$590,151.0    | \$1,444,783.5  |
| I. OTHER EDUCATION   | \$94,733.4     | \$9,240.7         | \$9,322.2  | \$35,802.6     | \$149,098.9    |
| J. HIGHER EDUCATION  | \$1,493,901.3  | \$2,253,165.0     | \$96,883.3                                       | \$956,236.4    | \$4,800,186.0  |
| K. PUBLIC SCHOOL SUPPORT   | \$4,788,553.1  | \$1,500.0         |  | \$579,500.0    | \$5,369,553.1  |
| Recurring Grand Total Section 4  | \$11,045,832.3 | \$6,783,070.6     | \$2,086,760.3                                    | \$13,451,841.7 | \$33,367,504.9 |
| Sections 5, 6, 7, 8, 9, 10, 11   |                |                   |  |                |                |
| Section 5. Special Appropriations  | \$1,142,876.2  | \$223,750.0       | \$19,700.0                                       | \$32,794.5     | \$1,419,120.7  |
| Section 6. Supplemental and Deficiency Appropriations                              | \$29,417.0     | \$0.0             | \$0.0  | \$0.0          | \$29,417.0     |
| Section 7. Information Technology Appropriations                                   | \$0.0          | \$5,773.0         | \$39,000.0                                       | \$0.0          | \$44,773.0     |
| Section 8. Compensation Appropriations*  | \$26,005.1     | \$0.0             | \$0.0  | \$0.0          | \$26,005.1     |
| Section 9. Expendable Trust  | \$0.0          | \$89,700.0        | \$56,465.4                                       | \$6,000.0      | \$152,165.4    |
| Section 10. Transportation   | \$212,500.0    | \$5,000.0         | \$0.0  | \$0.0          | \$217,500.0    |
| Section 11. Fund Transfers   | \$615,950.0    | \$123,604.0       | \$0.0  | \$0.0          | \$739,554.0    |
| Non-Recurring Grand Total*   | \$2,000,743.2  | \$447,827.0       | \$115,165.4                                      | \$38,794.5     | \$2,602,530.1  |

\*The nonrecurring grand total in the table below does not include Section 8—Compensation Appropriations—because these appropriations are categorized as recurring. Appropriations from the general fund revert to the general fund at the end of FY27, unless otherwise indicated in the bill or provided by law.

## SIGNIFICANT ISSUES

In Section 4, HB2 appropriates over \$11.045 billion from the state's general fund for recurring expenses of state agencies. HB2 contains funding to provide a salary increase of 1 percent to state employees, higher education employees (both funded in Section 8), and public-school employees (funded in Section 4). Including Section 8 recurring spending, total recurring spending for FY27 in HB2 is over \$11.07 billion. HB2 also appropriates over \$2.6 billion total funds for nonrecurring appropriations and fund transfers in Sections 5, 6, 7, 9, 10, and 11. Nonrecurring appropriations include \$2 billion from the general fund for special appropriations (Section 5), \$26 million from the general fund for supplemental and deficiency appropriations (Section 6), \$212.5 million from the general fund for transportation (Section 10), and approximately \$616 million from the general fund for fund transfers (Section 11). In Section 9, HB2 appropriates a total of \$152.2 million for three-year pilot projects (FY27 through FY29).

**Early Childhood.** The HB2 recurring appropriations for the Early Childhood Education and Care Department (ECECD) for FY27 increases general fund revenue by \$28.7 million over FY26, nearly a 10 percent increase. The overall recurring budget includes a \$3 million general fund increase for the Family, Infant, Toddler Program, \$55 million from the early care and education fund for childcare assistance expansion contingent on legislation increasing the distribution of the fund, an increase of \$5 million in general fund for childcare, and \$20.9 million for early prekindergarten expansion, quality, and coaching. Notably, HB2 includes \$30 million in GRO funding to continue implementation of the wage and career ladder framework.

**Commerce and Industry.** The HB2 recurring appropriations to commerce and industry agencies is over \$362 million in total funding, with \$113.9 million from the general fund. HB2 includes over \$160 million of specific Economic Development Department (EDD) projects focused on expanding and strengthening business opportunities, while continuing to support the large tourism industry in the state. Nonrecurring appropriations include \$10 million from the general fund to EDD for Trails+ grants, \$32.8 million from the general fund to EDD for a quantum benchmarking initiative, \$15 million from the general fund for an open user research facility supporting applied quantum information science research, \$3 million from the general fund for the Quantum New Mexico Institute, \$30 million for innovation hubs, \$11.6 million from the general fund for grants supporting small businesses, entrepreneurs and start-ups, and \$18 million from the general fund to the Tourism Department for marketing and advertising.

**Health.** HB2 appropriates over \$17.1 billion in recurring funding for health, hospitals, and human services agencies, with most of the funding, \$14.2 billion, for the Health Care Authority (HCA). The appropriations support a range of health and human services programs, including Medicaid and include increased recurring general fund revenue for managed care capitation payments (\$23.6 million) and increases for the Income Support Program of HCA. Increased general fund revenue is also provided for the Supplemental Nutrition Assistance Program (SNAP) and the operation of the Medicaid IT system. Additional nonrecurring funding is included to increase access to services and support the provider network, including \$25 million from the health care affordability fund (HCAF) to prevent coverage loss from federal funding cuts, \$24 million in federal funding for grants to rural clinics to support rural providers, \$7 million from the general fund to support infrastructure for statewide screening, brief intervention, and referral to treatment (SBIRT), over \$38 million from the health care affordability fund to offset the expiration of enhanced federal premium tax credits for insurance obtained through the health exchange, and funding for medical student tuition and housing. Additionally, HB2

nonrecurring funding includes veteran supports for medical transportation, suicide prevention, and homelessness. HB2 contains companion funding to proposed capital outlay funding for the construction of a new school of medicine at the University of New Mexico. HB2 includes \$100 million for housing initiatives including affordable housing, homelessness initiatives, transitional housing, rental assistance, and tribal housing.

**Natural Resources.** HB2 continued support for natural resources agencies, including significant recurring general fund increases above FY26 for the New Mexico Livestock Board (18.4 percent), the New Mexico Environment Department (6.2 percent), the Energy, Minerals, and Natural Resources Department (9.1 percent), and the Office of the State Engineer (OSE) (4 percent). HB2 also contains significant nonrecurring investments for water including \$100 million for the water trust fund, over \$53 million to OSE for multiple purposes, including interstate litigation (implementation of the Rio Grande Texas V. New Mexico settlement), \$15.5 million to the strategic water reserve, \$40 million to NMED for strategic water supply projects, and multiple appropriations to OSE, NMED and NM Tech for water testing, mapping, planning and permitting.

**Judiciary and Public Safety.** HB2 provides nearly \$1.5 billion in total recurring funding for judiciary and public safety agencies, including continued support for court pretrial services, a new judgeship in the 2<sup>nd</sup> Judicial District court, and an additional \$1 million from the general fund for the Crime Victims Reparation Commission, representing a 7.9 percent increase over FY26. Additionally, HB2 provides nonrecurring supports for public safety, including over \$2 million for IT needs, facility repairs and security infrastructure at courts, \$2 million from the general fund to the New Mexico Sentencing Commission for a data integration project, \$2 million to the Department of Public Safety for the Intelligence-Led Policing project, \$3 million for vehicles and body cameras, \$2 million from the consumer settlement fund to the 2<sup>nd</sup> Judicial District Attorney for the Organized Crime Commission, and \$2.5 million from the general fund for emergency responder radio systems.

**Education.** HB2 includes over \$10.3 billion in all funds and \$6.37 billion in recurring general fund appropriations for public education and higher education. Recurring Section 4 appropriations include funding for a 1 percent salary increase for school personnel and funding to bring the K-12 employer/employee health premium contributions to an 80/20 cost share, which would boost take-home pay for many educators, contingent on legislation. HB2 also prioritizes career and technical education (CTE), including \$31.8 million for CTE initiatives: \$17 million for evidence-based and work-based learning programs, \$7.1 million to test out innovation zones for the next three years through the public education reform fund, and \$7.7 million in reauthorizations of unspent CTE funding from FY26. Additional nonrecurring funding would support a statewide student information system and connected educational data systems (\$8.5 million), summer internships for working-age high school students (\$10 million), summer reading and math programs (\$29 million), recruitment and retention of educator fellows (\$20 million), and funding to pilot wellness rooms, outdoor classrooms, and for the Hispanic Education Act, the Black Education Act, and the Bilingual Multicultural Education Act.

**Information Technology.** HB2 includes a 58.7 percent increase for the Department of Information Technology (DoIT) for the Office of Cybersecurity. Additionally, nonrecurring funding provides \$21 million to DoIT for cybersecurity initiatives at executive agencies, schools, and local government, replacing IT hardware at the Administrative Office of the District Attorneys, IT hardware and software for courts and district attorneys, the Office of Family

Representation and Advocacy, and cybersecurity, including at the Office of the Attorney General. HB2 also includes reauthorization of previously appropriated unspent funding to DoIT supporting cybersecurity and broadband. Additionally, Section 7 includes over \$44 million in funding for new and existing information technology programs at state agencies and reauthorizes select previously appropriated unspent funds.

**Compensation.** Section 8 includes over \$26 million for a 1 percent average pay increase for all state and higher education employees and nearly \$37 million for a 1 percent salary increase for school personnel.

**General Fund Reserves.** HB2 would leave FY27 general fund reserves at about 30 percent of recurring appropriations.

## PERFORMANCE IMPLICATIONS

HB2 includes multiple performance measures and performance targets for most agencies as part of the Accountability in Government Act, which is a statutory basis to use performance information to inform budget development and monitor results of spending by agencies on outcomes important to agencies, the executive, the Legislature, and the public.

## WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

State agencies, higher education and public schools will not have the authority to budget or expend money necessary for the operation of government.

JC/sgs/hg/ct