

# State Management of Federal Funds and National Developments

Presentation before the New Mexico Federal Funding Stabilization & Affordability Subcommittee

Rebecca Thiess  
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## One Year Post-OBBBA

**In response to federal changes affecting Medicaid, SNAP, taxes, and other federal funding streams, state officials are:**

- Assessing impacts
- Developing implementation plans
- Adjusting budgets

# Planning in the Face of Uncertainty

## Actions state officials have taken to prepare

- **Oregon:** Projected impact of federal policy changes by agency and division
- **Wisconsin:** Modeled potential SNAP costs under different payment-error scenarios
- **Arizona:** Evaluated revenue implications of various tax conformity options
- **Texas:** Gathered community input on how Rural Health Transformation Funds should be deployed

# Preparing for Changing State Responsibility on SNAP

States are investing now to implement changes and prepare for future costs

## Federal changes

- States will pay more in SNAP administrative costs beginning in FY27
- States with error rates above 6% will bear a portion of benefit costs in FY28

## State responses

- **Minnesota:** Legislature voted to upgrade social-services IT systems
- **Rhode Island:** Launched a cross-agency error-reduction team
- **Alabama and Oklahoma:** Implemented chip-enabled EBT cards
- **New Mexico:** Appropriated \$51 million in recurring funds to Health Care Authority for SNAP technology upgrades and case processing improvements

# Medicaid—Building Administrative Capacity

## States are preparing for significant operational changes

### Federal changes

- Community engagement/work requirements
- More frequent eligibility redeterminations
- Increased administrative oversight
- Changes to provider taxes and caps on state-directed payments

### State responses

- **Kentucky:** Budgeted funding for implementation
- **Washington:** Funded a community-engagement tracking hub
- **Oregon:** Investing \$273 million in eligibility-system upgrades
- **Iowa, Montana, and Nebraska:** Have already implemented community engagement/work requirements

# Looking Beyond Immediate Implementation

## Some states are examining longer-term fiscal effects

- **Illinois:** Incorporated federal policy changes into its long-term budget assessment
- **Arizona:** Evaluated long-term revenue effects associated with tax conformity decisions
- **New Mexico:** Post-session review for the Legislative Health and Human Services Committee highlights expected FY27 budget impacts from reconciliation, including reduced federal Medicaid funding and increased SNAP administrative costs

## Challenges When Managing Federal Funds

Federal funding levels can be difficult to project

Applying for and managing federal grants is complicated

It is difficult to strategically direct federal funds to key state priorities

# Recommendations

Create a transparent system to understand federal funding and what it pays for

- Can include efforts like tracking federal funding in budget documents and having a plan to assess impacts in times of volatility

Target states resources to invest in the people and systems needed to administer federal funds

- Can include activities like centralizing efforts or investing in personnel when agency capacity is insufficient, or supporting local access to grants

Coordinate and plan to use funds strategically to leverage federal resources for state priorities

- Can include efforts like coordinating across agencies and taking advantage of flexibility for how funds are spent

# Why New Mexico is Well Positioned

## State already taking actions to capture and respond to federal changes

- The Federal Funding Stabilization and Affordability Subcommittee is convening key stakeholders from around the state
- Last year's special sessions enabled the legislature to assess federal changes
- New Mexico's agencies and other committees are conducting ongoing assessments of federal policy impacts, including HCA and Legislative Finance Committee

# A Next Step for New Mexico: Broaden Federal Funds Transparency

## Leverage existing dashboard

- New Mexico Federal Funding Dashboard: The Department of Finance and Administration maintains a federal funding dashboard that captures federal funds information from the American Rescue Plan Act and the Bipartisan Infrastructure Law
- **Potential action:** Expanding this to capture further federal grants, new opportunities like Rural Health Transformation dollars, and to display geographic utilization of programs like Medicaid and SNAP
  - This could provide a more complete picture of federal funding reliance, identify areas most exposed to federal policy changes, and support long-term budget planning and risk assessment

# Questions?

Rebecca Thiess

Managing Fiscal Risks

[rthiess@pewtrusts.org](mailto:rthiess@pewtrusts.org)

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