



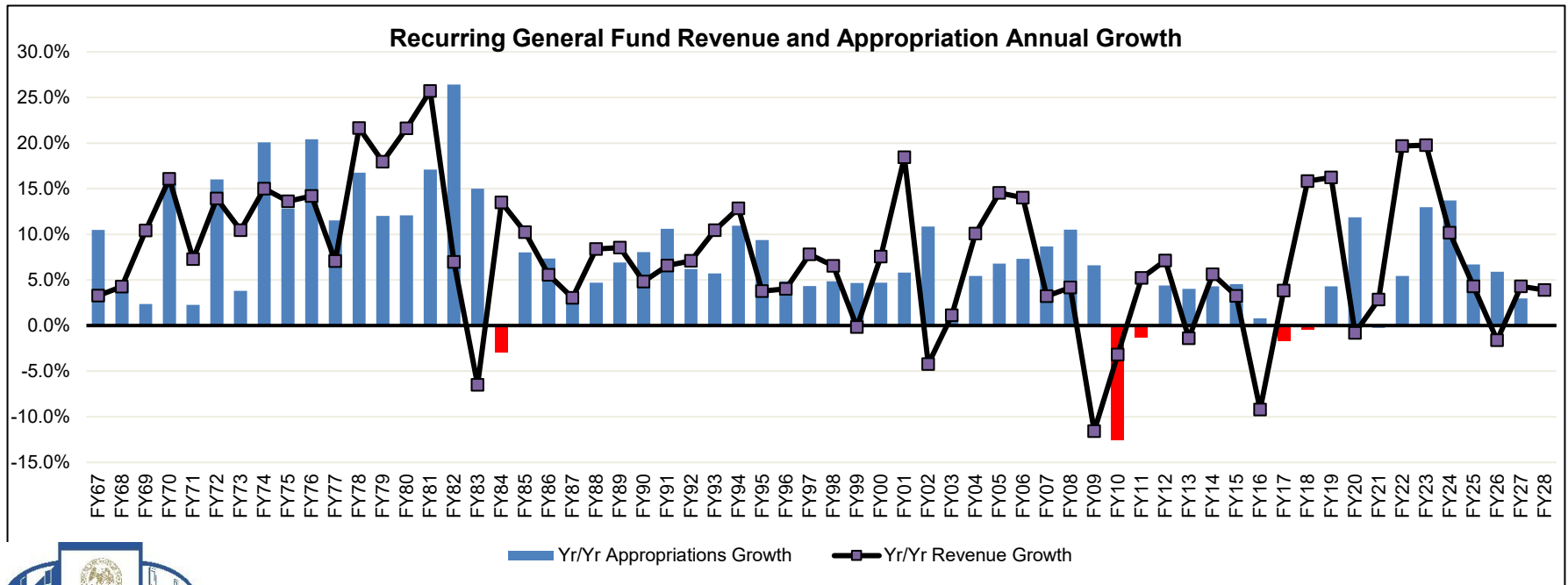
NEW MEXICO
LEGISLATIVE
FINANCE
COMMITTEE

Fiscal Outlook & Post- Session Review

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Brendon Gray, Economist, LFC
June 29, 2026

Key Takeaways

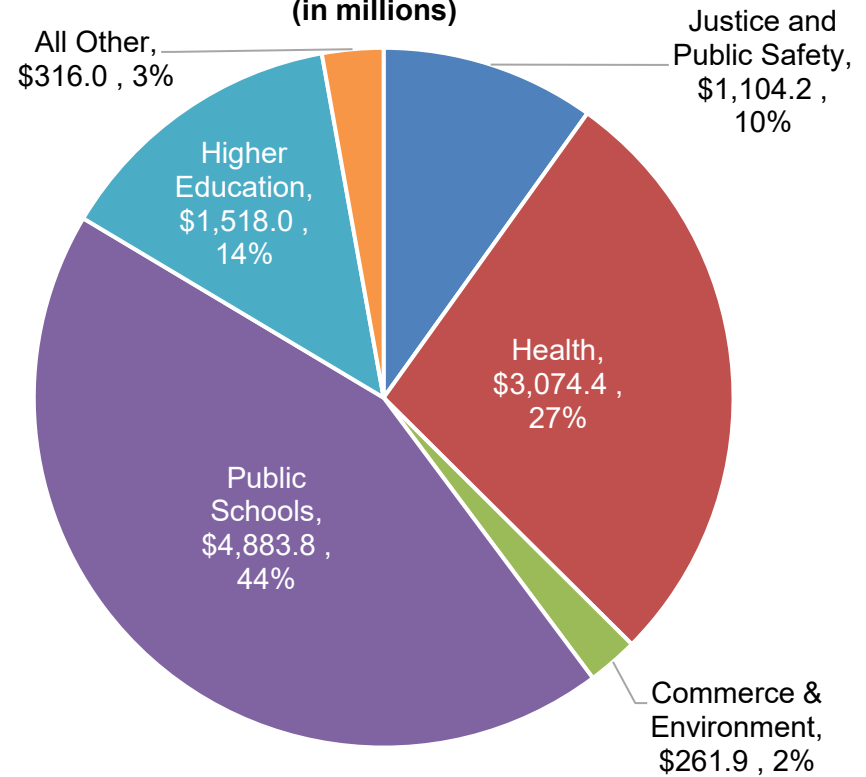
- The FY27 budget reflects a deliberate pivot toward sustainability, balancing continued investment in priority services with a slowing revenue outlook.
- Strong reserves are preserved while one-time funds are used strategically to address infrastructure, housing, and pilot programs.
- The budget prioritizes investments in improving New Mexicans' personal earned income, access to high quality health and behavioral care, quality of life, and long-term economic resilience, while avoiding over-commitment of recurring revenues.



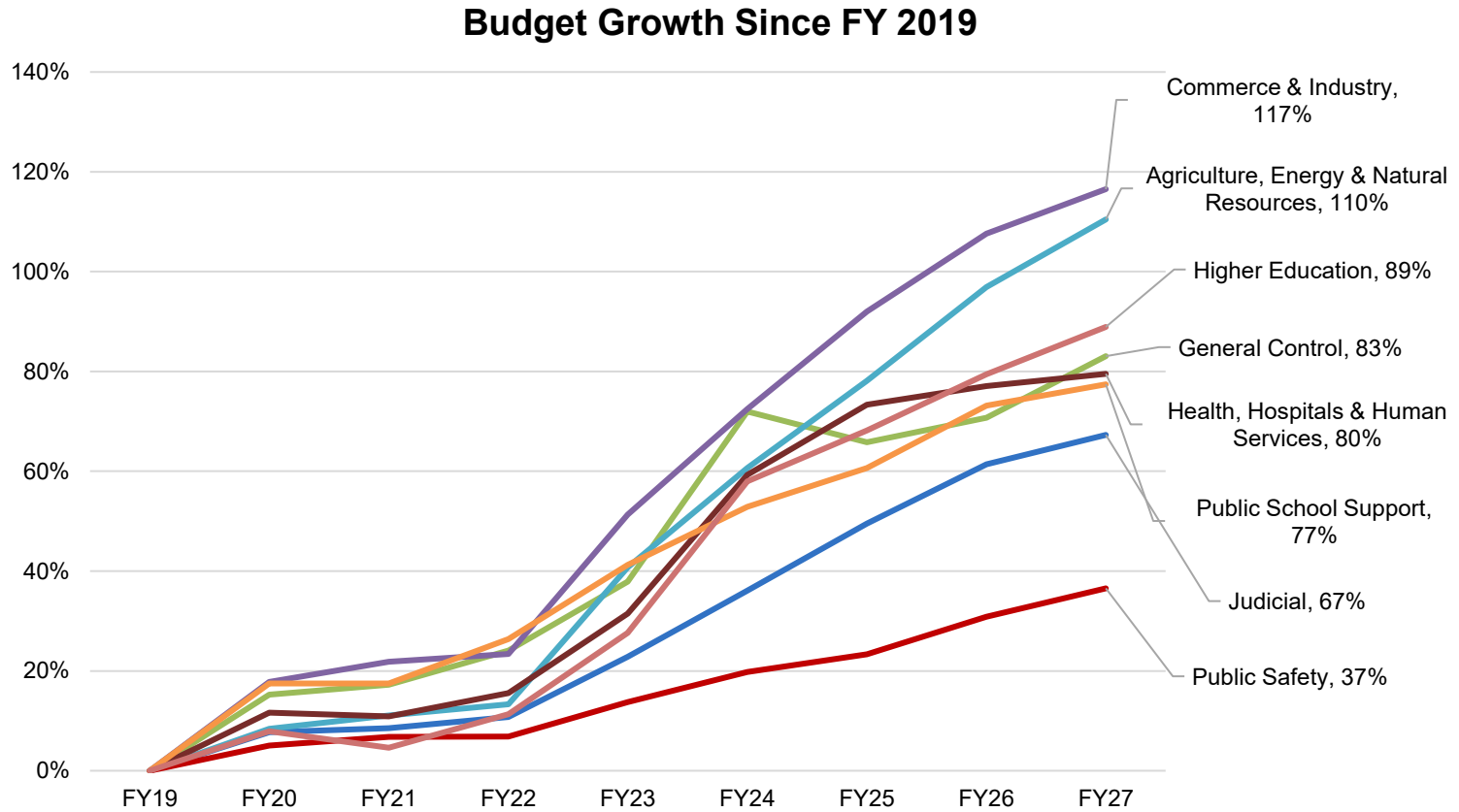
The budget landed at \$11.2 billion in recurring general fund spending for FY27, representing a \$332 million increase, or 3.1 percent, over FY26 spending.

- This budget reflects a deliberate shift from the rapid spending growth of recent years to a more measured and sustainable growth rate, as the state transitions out of an extraordinary revenue period.
- General fund revenues were estimated at \$13.9 billion in FY27 going into the session, only 2.3 percent higher than FY25, reflecting (then) lower oil and gas prices, a weakening corporate income tax, and federal tax changes.
- Even with slowing revenue growth, the budget plan maintains strong reserves at approximately 26.5 percent of planned spending in FY27.

FY27 Recurring General Fund Appropriations
Total: \$11.2 billion
(in millions)



This budget continues strong growth for nearly all government sectors.



STATE FINANCIAL OUTLOOK

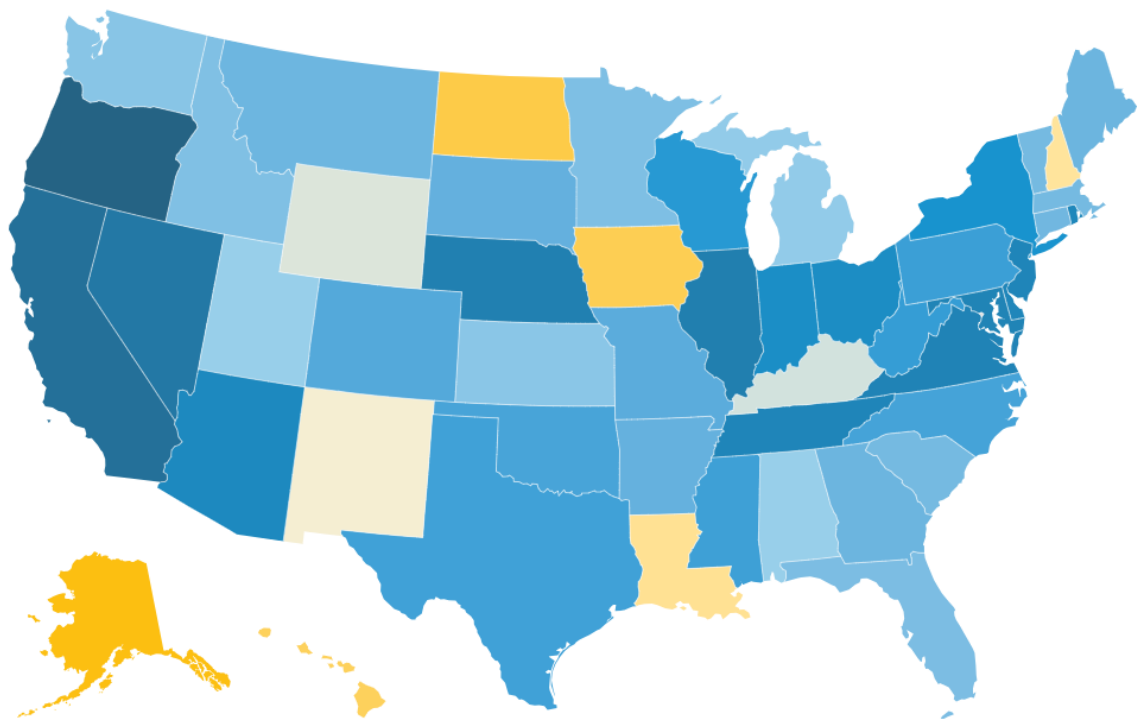


Ending 2025, New Mexico revenues were weakening, below even the modest growth expectations of under 4%.

Uneven State Tax Revenue Growth in the First Half of Fiscal Year 2026

Nominal percentage change,
Fiscal YTD 2026 vs. 2025

-15.2% 0.0% 19.2%

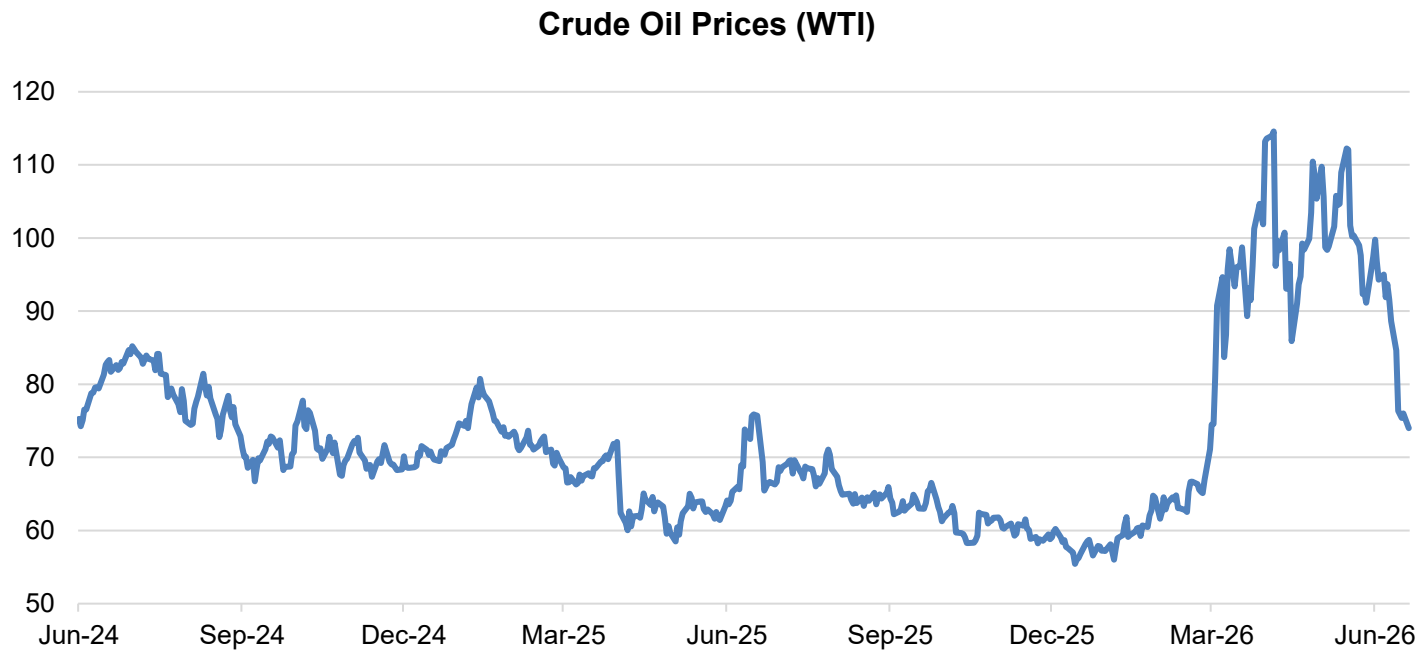


URBAN INSTITUTE



Source: Urban Institute

Trust funds are benefitting from higher oil prices.



Source: U.S. Energy Information Administration, WSJ



What do changes in production and prices mean for New Mexico's direct revenues?

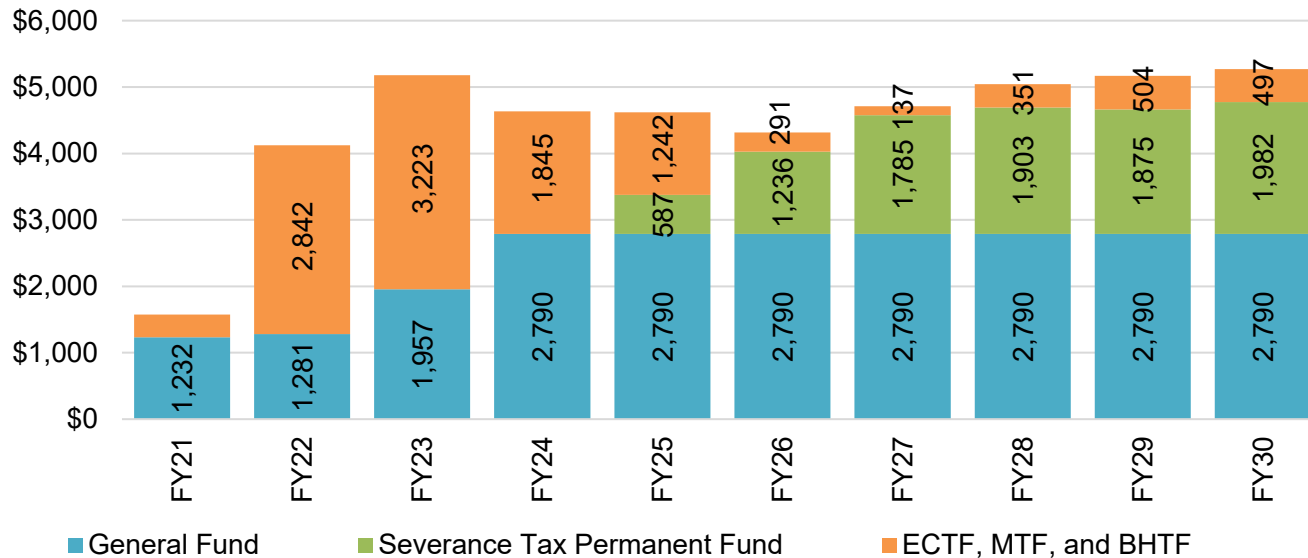
Based on December 2025 estimate for direct oil and gas revenues (production taxes and federal royalties),

- A \$1 change in the annual average NM price of oil has about a \$57.3 million impact on revenues.
- A 10 cent change in the annual average NM price of natural gas has about a \$27.7 million impact.
- Each additional million barrels of oil generates about \$4 million in severance taxes and federal royalties.
- Each additional 10 billion cubic feet of natural gas generates about \$2.4 million in severance taxes and federal royalties.



Upside from oil prices helps, but how much?

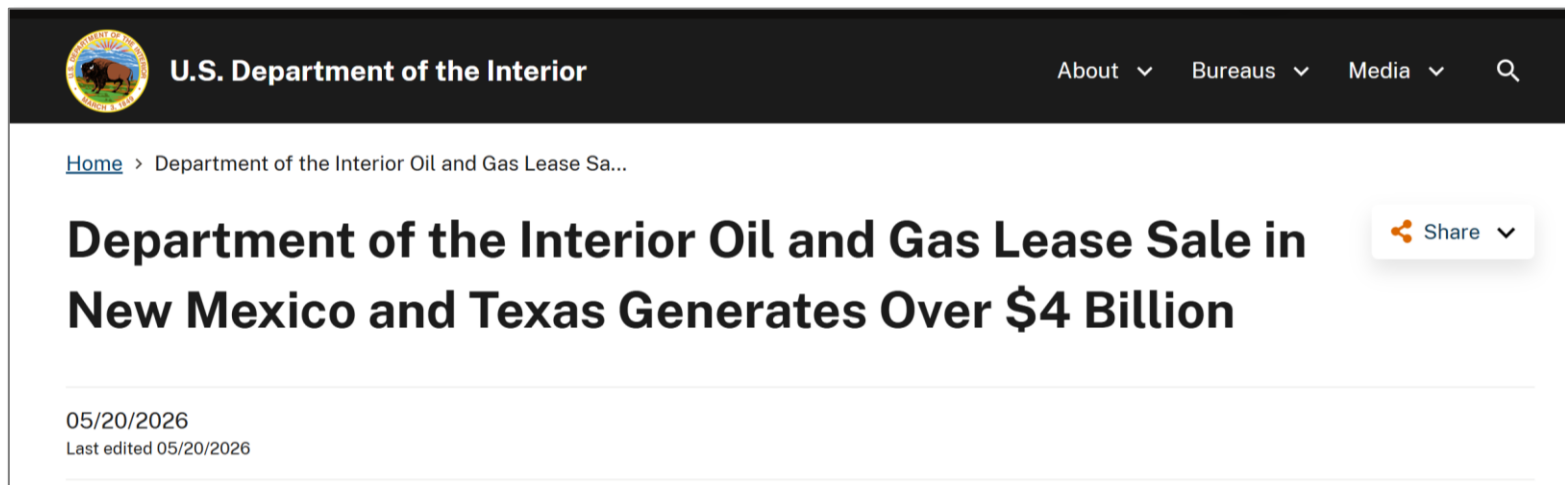
**Distribution of Federal Mineral Leasing Payments and Oil and Gas
Emergency School Tax
(in millions)**




Source: December 2025 CREG



Land sale revenues distributed to early childhood, Medicaid trust funds



The screenshot shows the top portion of a news article on the U.S. Department of the Interior website. The header is black with the department's logo on the left and navigation links for 'About', 'Bureaus', and 'Media' on the right. Below the header, a breadcrumb trail reads 'Home > Department of the Interior Oil and Gas Lease Sa...'. The main headline is 'Department of the Interior Oil and Gas Lease Sale in New Mexico and Texas Generates Over \$4 Billion'. To the right of the headline is a 'Share' button with a dropdown arrow. Below the headline, the date '05/20/2026' and 'Last edited 05/20/2026' are displayed.

 **U.S. Department of the Interior** About ▾ Bureaus ▾ Media ▾ Q

[Home](#) > Department of the Interior Oil and Gas Lease Sa...

Department of the Interior Oil and Gas Lease Sale in New Mexico and Texas Generates Over \$4 Billion

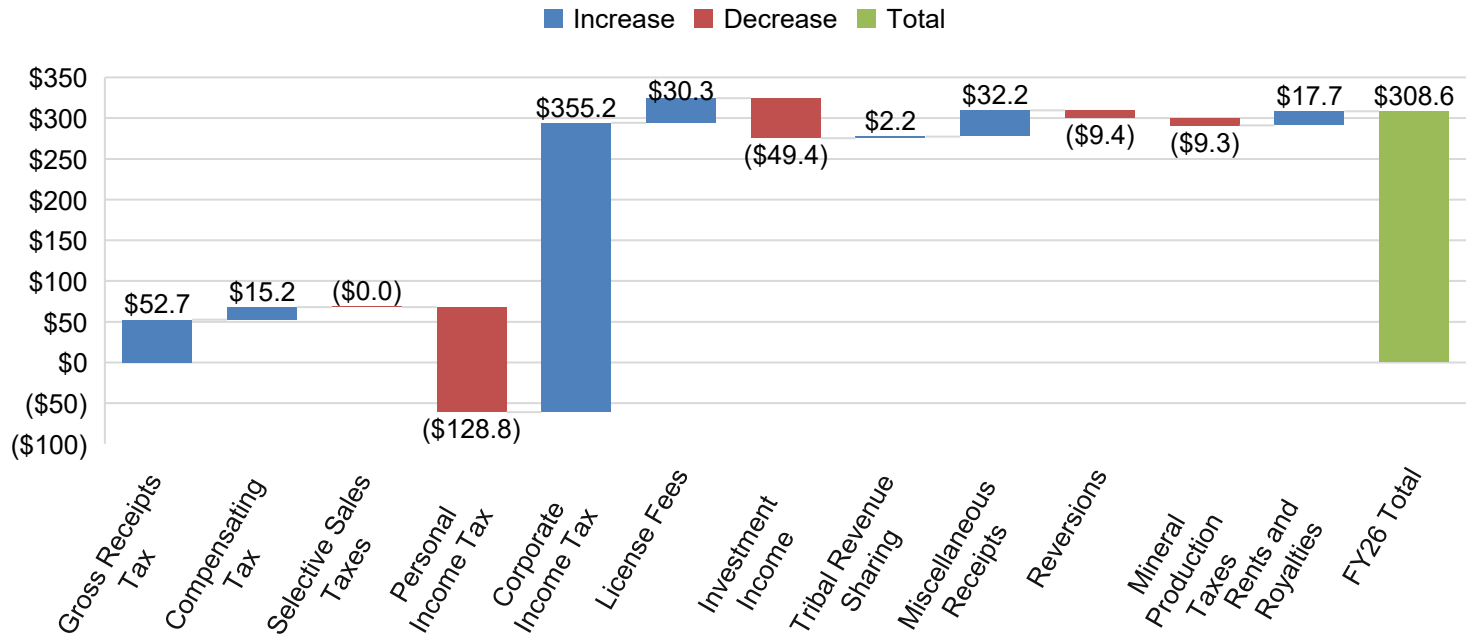
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Revenues are currently tracking \$308.6 million above the consensus December estimate.

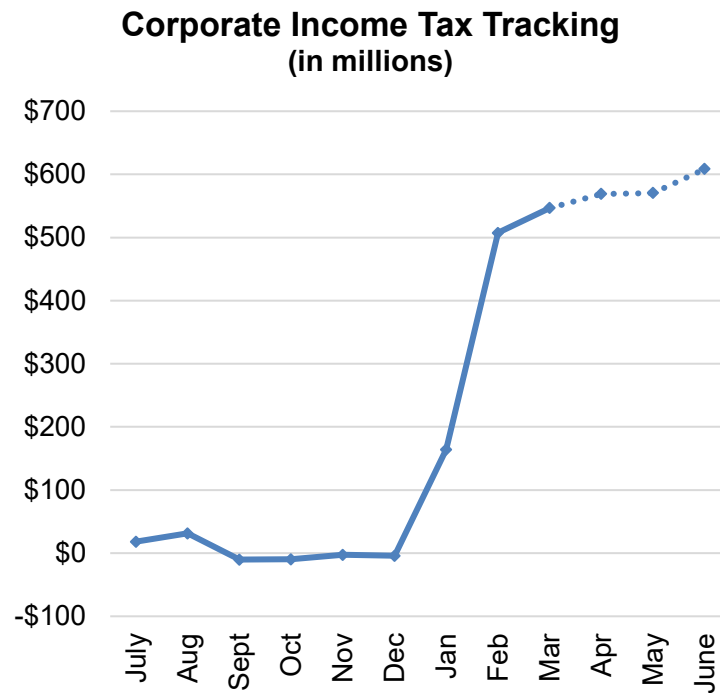
**Recurring Revenue, FY26 Tracking Estimates over Forecast
(in millions)**



Source: LFC Analysis of TRD and DFA Data



CIT mostly responsible for revenues tracking above forecast.



Source: LFC Analysis of TRD and DFA Data

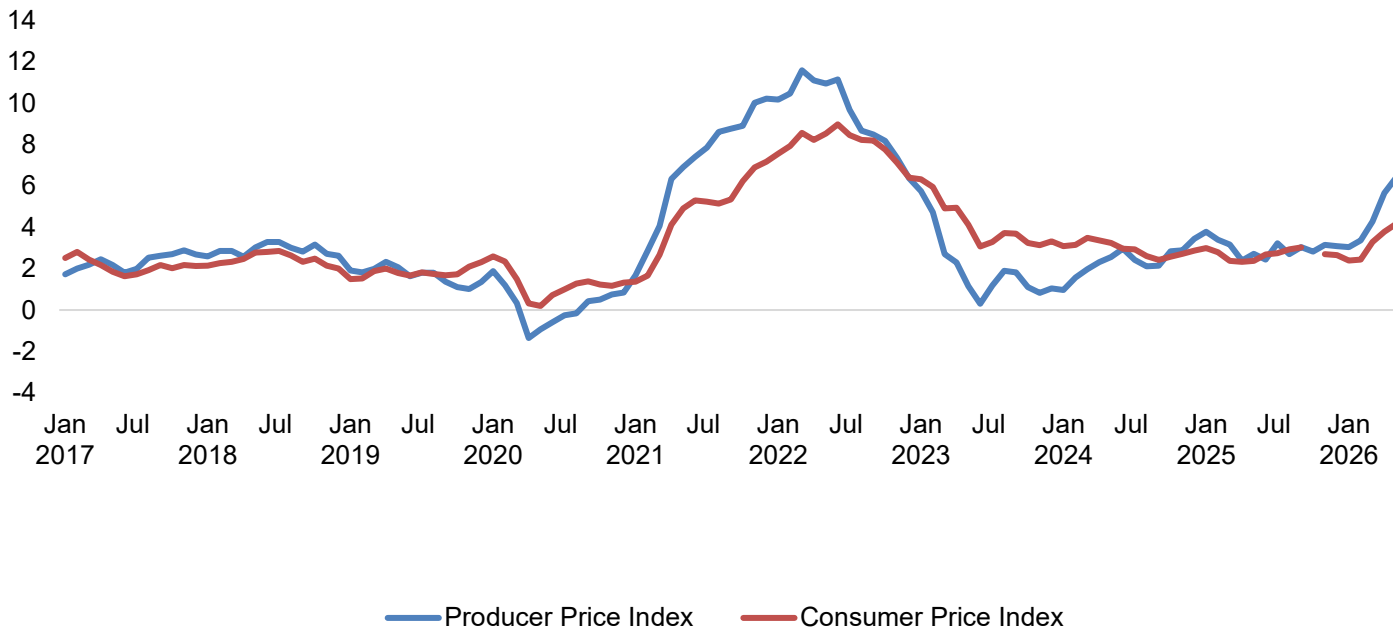


ECONOMIC OUTLOOK



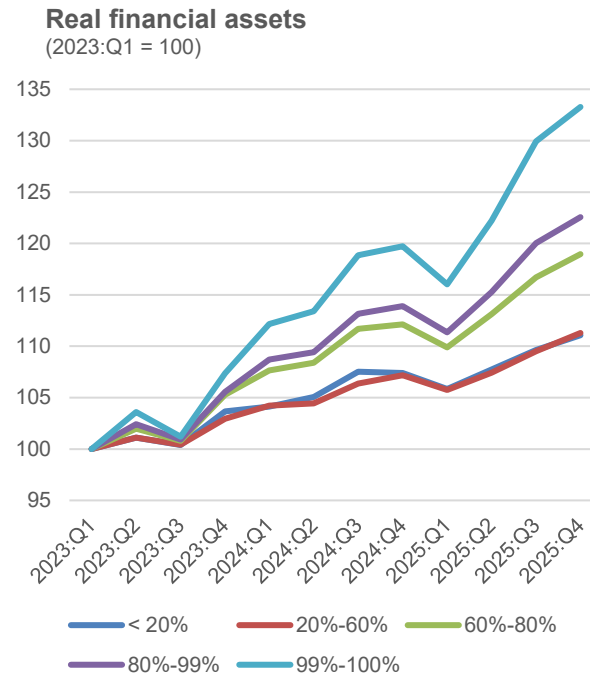
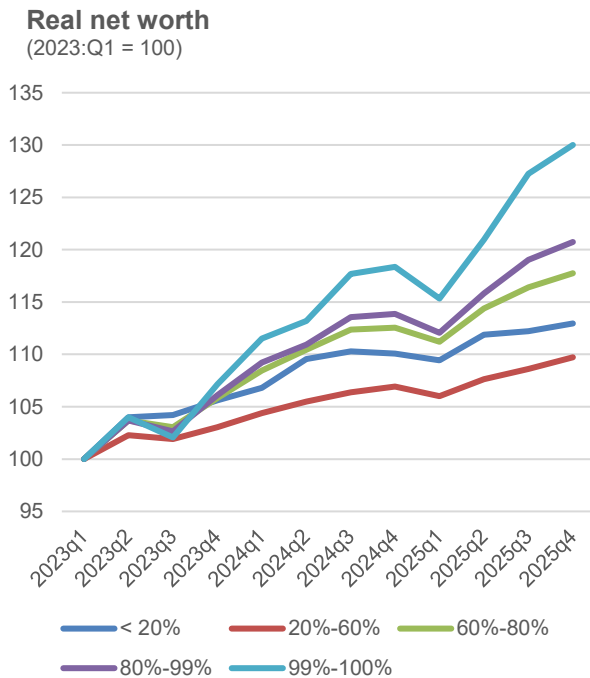
Inflation, driven by energy, clouds U.S. economic outlook.

Energy Costs Driving Inflation Higher



“K-Shaped” economy presents weaknesses

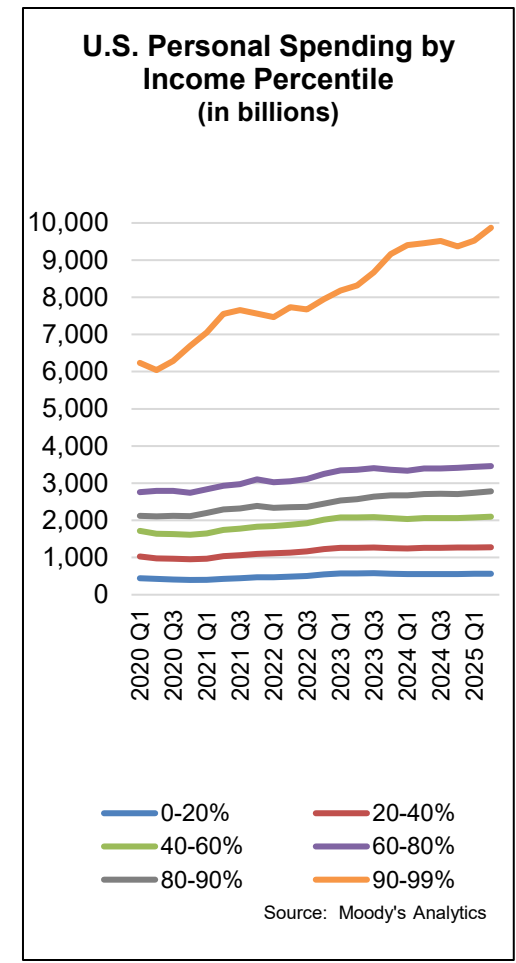
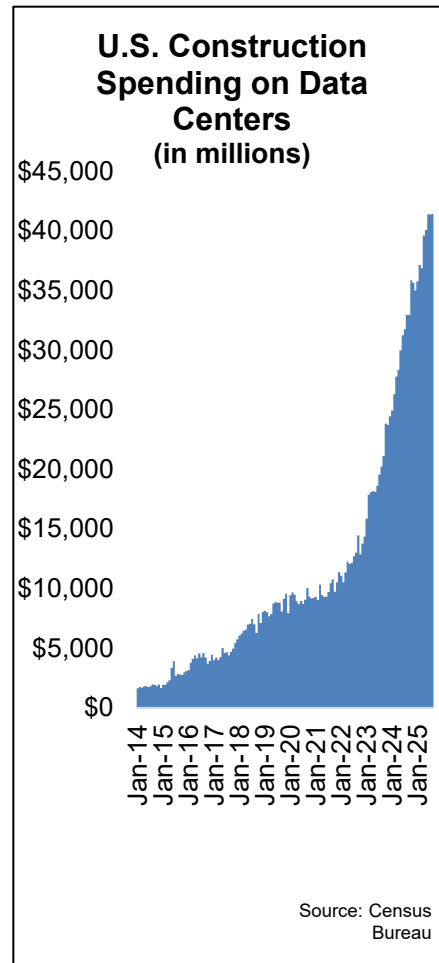
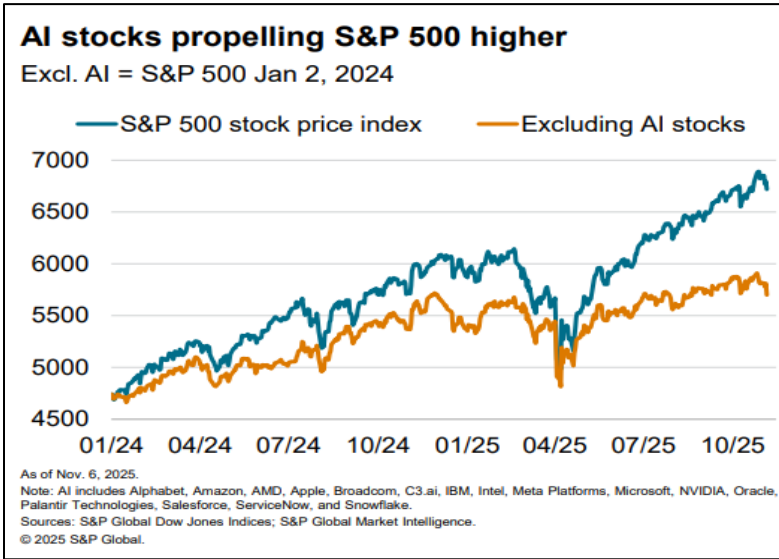
K-Shaped Patterns Exist in Wealth and Financial Assets Growth



Source: New York Federal Reserve, Liberty Street Economics

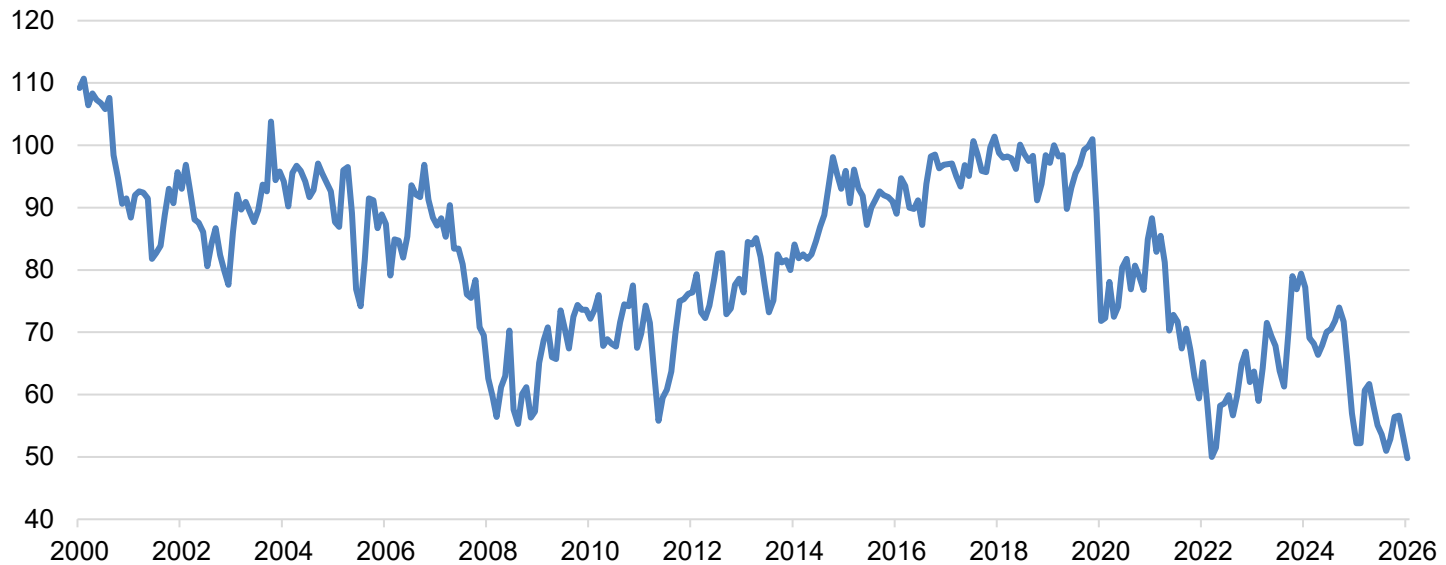


U.S. economic success becomes dependent on concentrated groups (high income, AI).



While sentiment near record lows, economy continues to weather shocks.

University of Michigan Consumer Sentiment

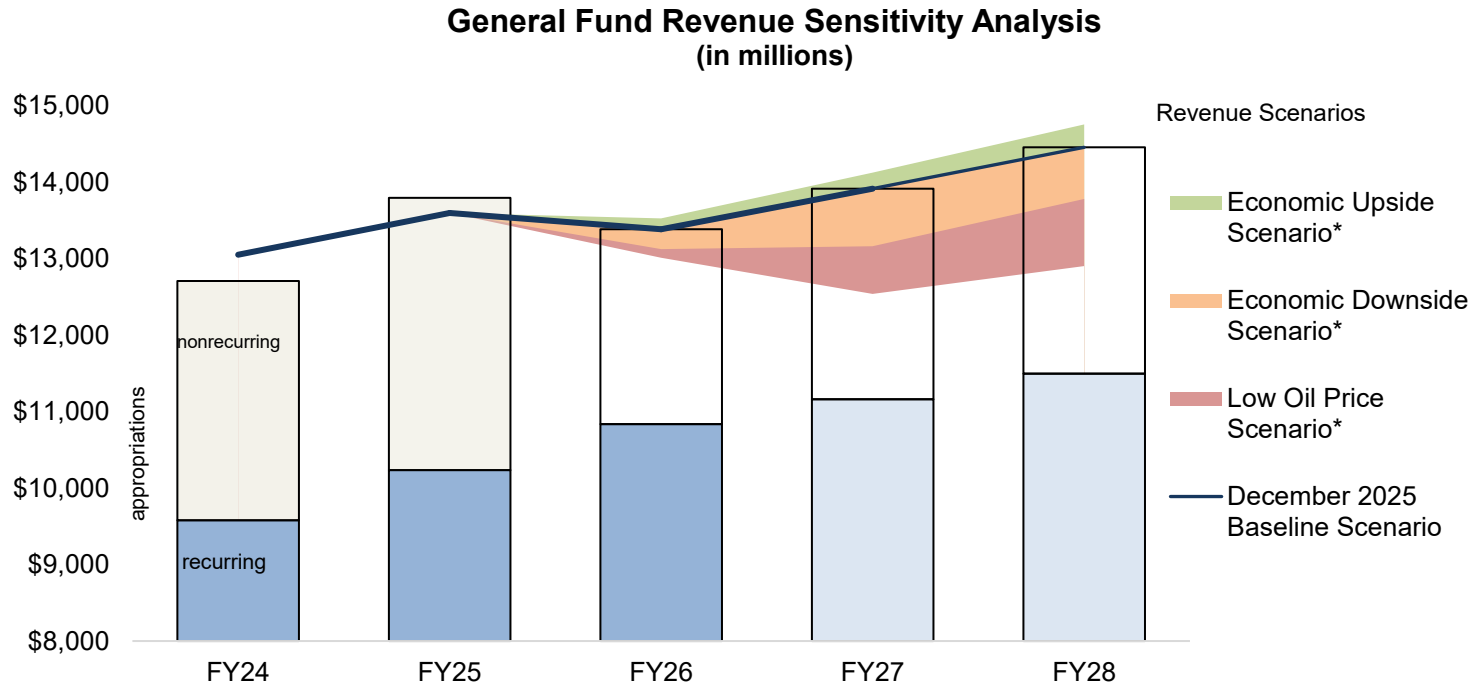


Index 1966:Q1 = 100

Source: University of Michigan



Total reserves are sufficient for a short-term downturn.



Source: December 2025 CREG



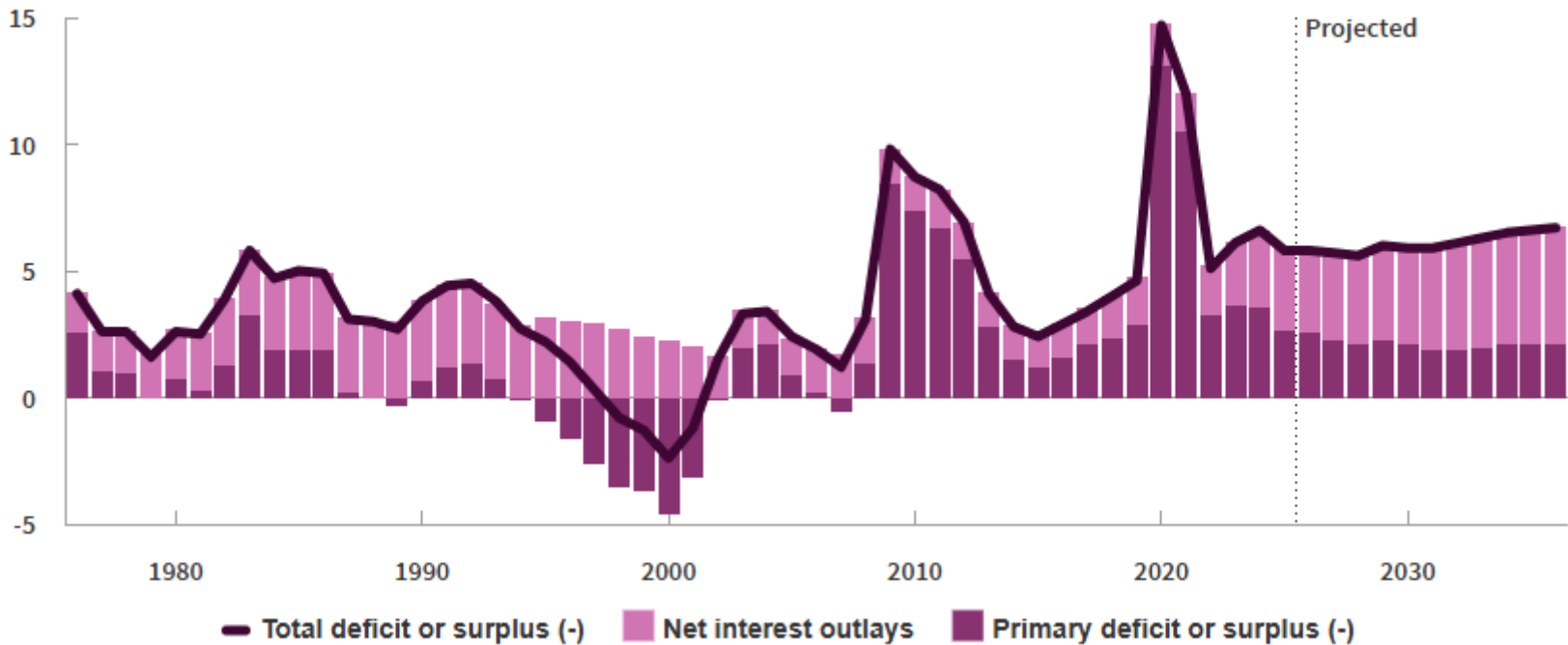
FEDERAL OUTLOOK



Federal Budget Deficits & Debt

Total Deficits, Net Outlays for Interest, and Primary Deficits

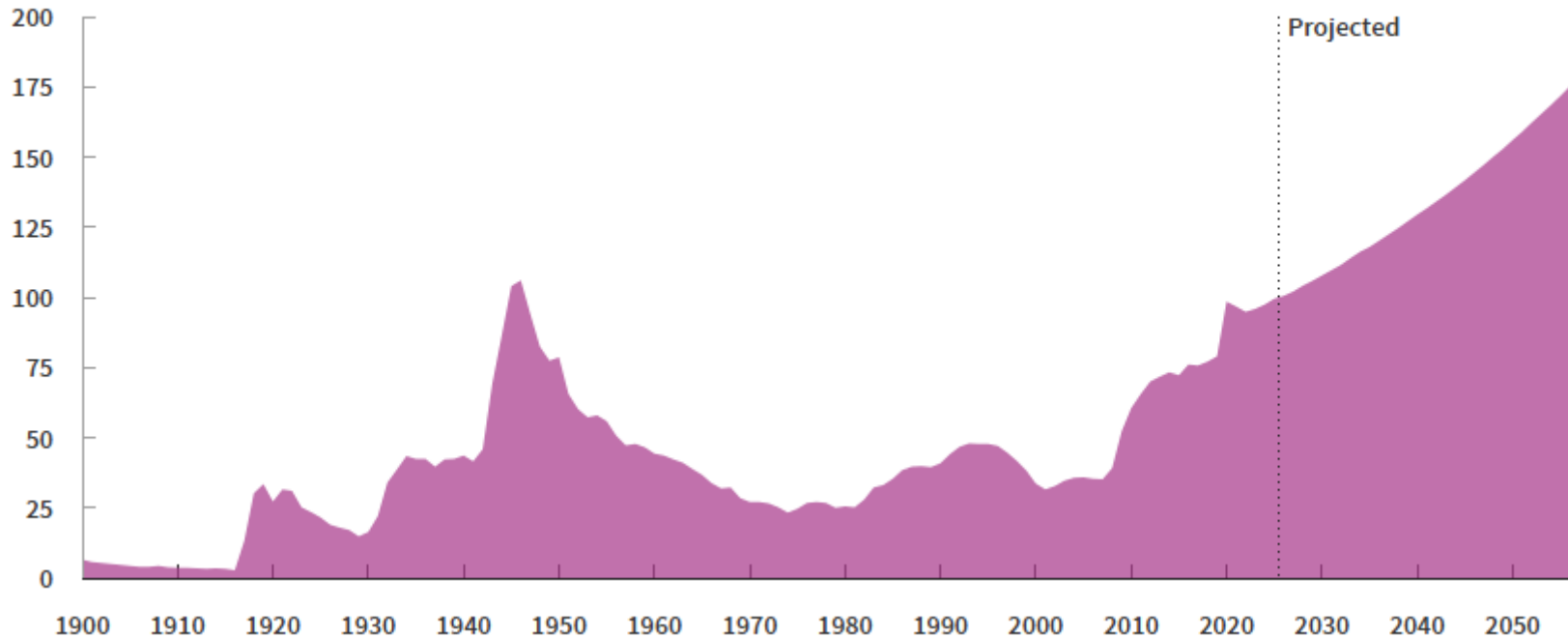
Percentage of GDP



Federal Budget Deficits & Debt

Federal Debt Held by the Public, 1900 to 2056

Percentage of GDP



Federal Reconciliation Changes Affecting the FY27 Budget:

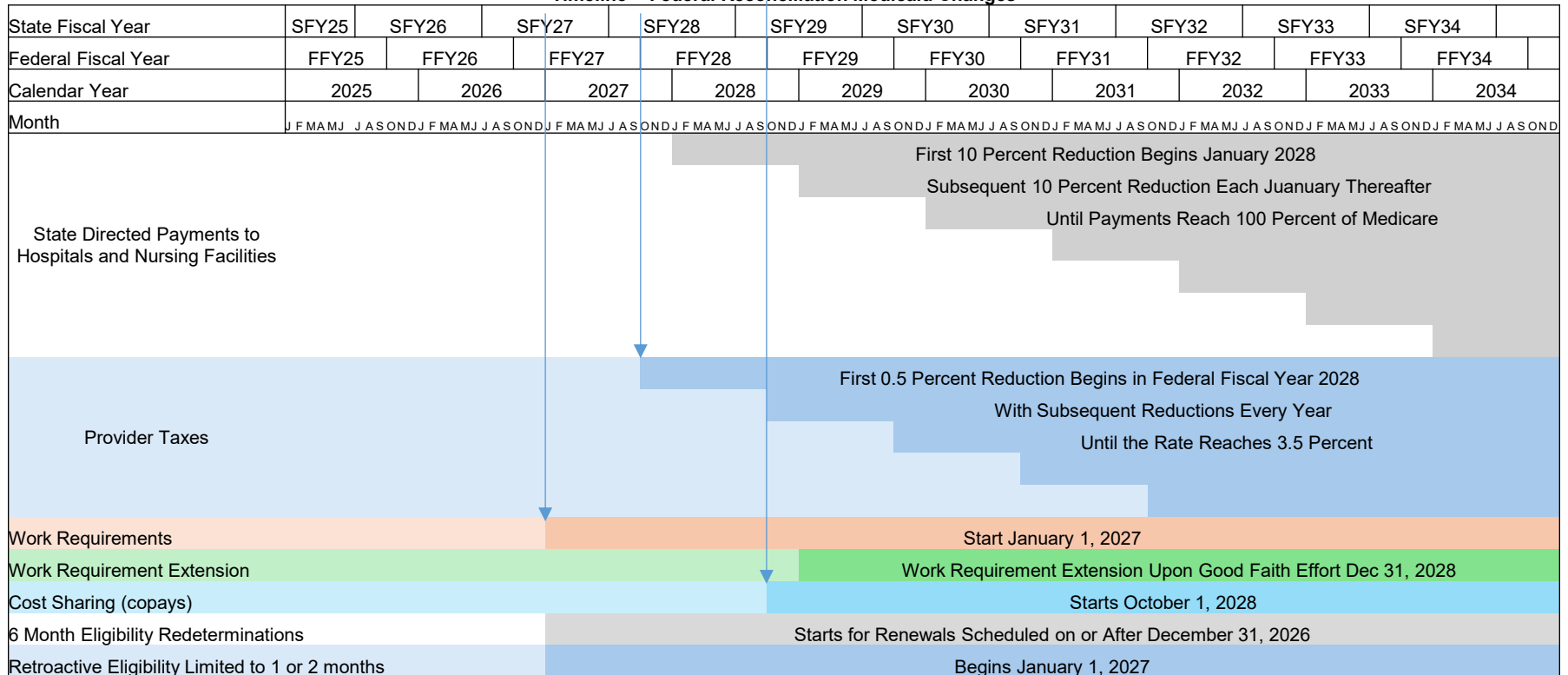
Medicaid

- Established a new community engagement (work) requirements for expansion adults between the ages of 19-64.
 - According to KFF, work requirements are expected to reduce Medicaid enrollment in New Mexico by 83 thousand and lead to about \$500 million less in federal revenue.
 - The effective date is December 31, 2026, with state exemptions granted until December 31, 2028, for states showing a good faith effort to implement.
- Required states to conduct eligibility redeterminations at least every 6 months for expansion adults, current practice is annual, secretary of HHS to issue guidance within 180 days of enactment.
 - Is expected to lead to higher churn in Medicaid and will likely lead to less federal revenue
 - Starts for renewals scheduled on or after December 31, 2026
- Limited retroactive eligibility to one month for expansion adults and two months for others.
 - Will likely also lead to less federal revenue.
 - Effective January 1, 2027

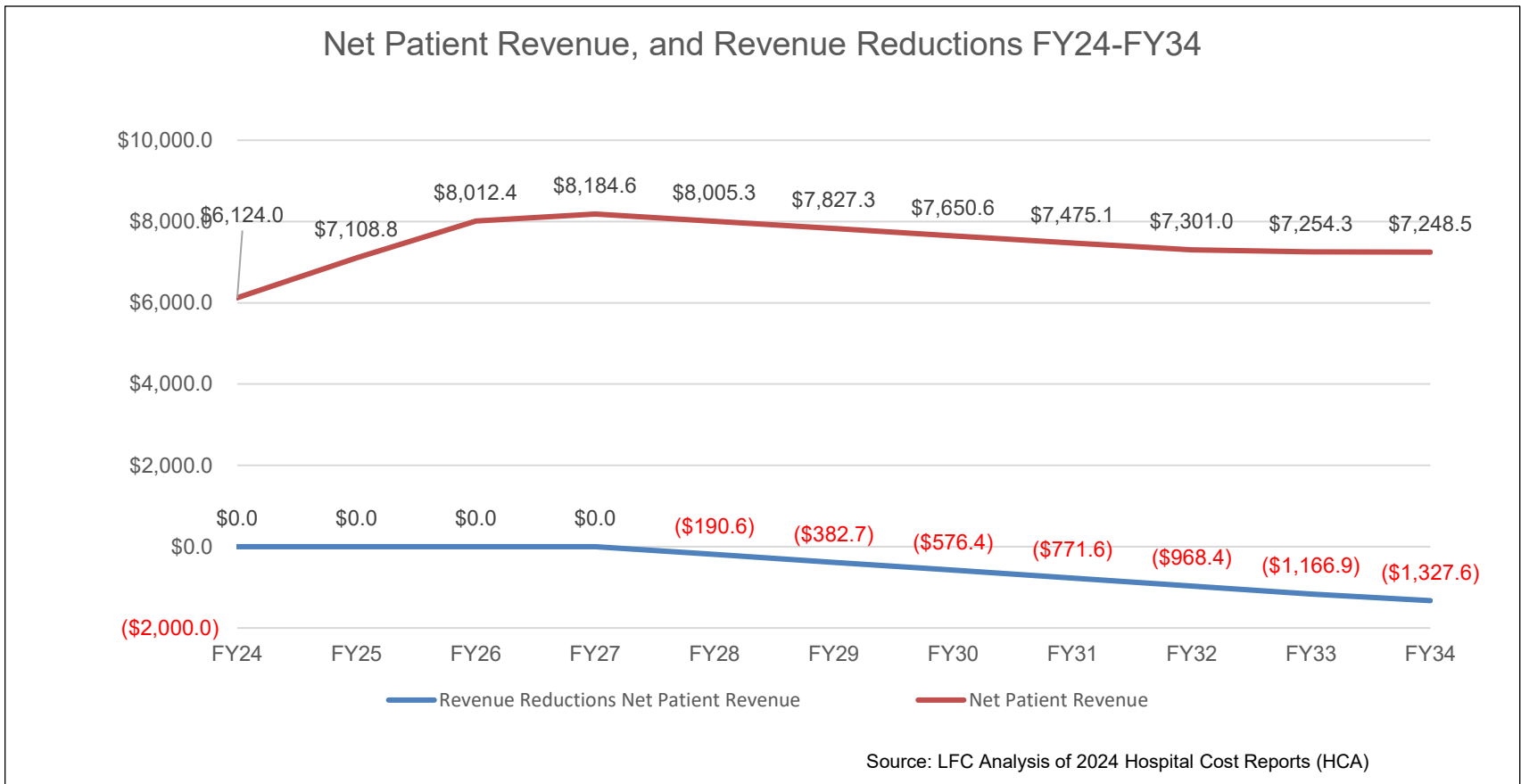


Federal Budget Reconciliation – Medicaid Timeline

Timeline -- Federal Reconciliation Medicaid Changes



Notable Reconciliation Changes to Medicaid: State Directed Payments and Provider Taxes



Federal Reconciliation Changes Affecting the FY27 Budget:

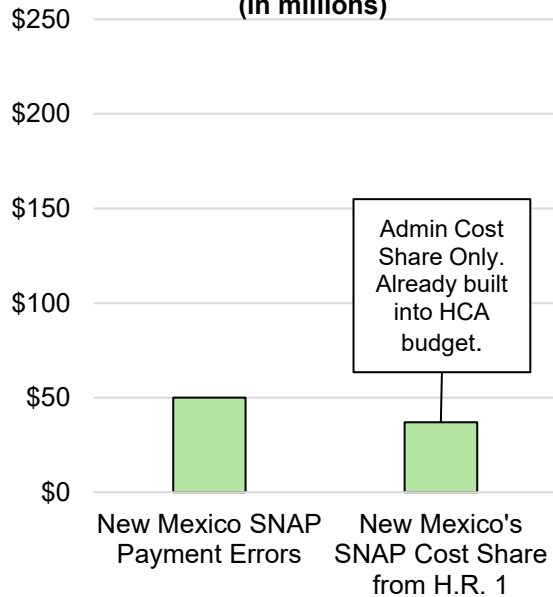
Supplemental Nutrition Assistance Program

- Changed the administrative matching rate from 50 percent state/federal to 75 percent state 25 percent federal.
- Narrowed eligibility so that refugees, asylees, survivors of trafficking, and certain parolees lose eligibility.
- Started upon enactment and continues as eligibility redeterminations are made.
- Expanded work requirements by raising the age for those who are subject to work requirements from 54 to 64 and changed the dependency work requirement exemption from under age 18 to under age 14.
- State payment error matching rate likely not to begin until FY30.



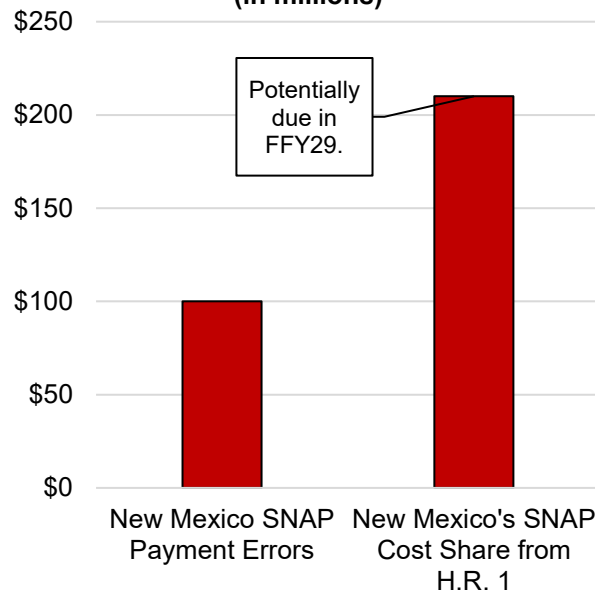
Depending on New Mexico's future SNAP payment error rate, the state's increased cost-share could exceed total incorrect payments.

Scenario 1: New Mexico has a 5% SNAP Payment Error Rate in FFY26 (in millions)



Source: LFC analysis.

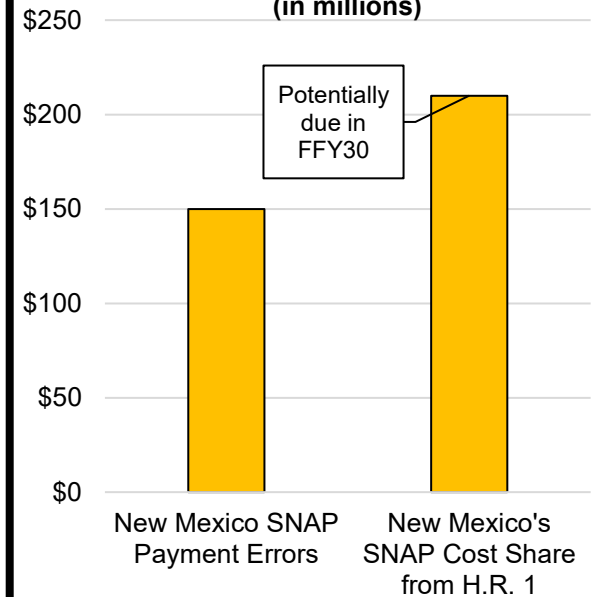
Scenario 2: New Mexico has a 10% SNAP Payment Error Rate in FFY26 (in millions)



Note: The \$210 million cost-share includes an administrative cost share (\$37 million) and a benefits cost share (\$173 million).

Source: LFC analysis.

Scenario 3: New Mexico has a 15% SNAP Payment Error Rate in FFY26 and FFY27 (in millions)



Note: The \$210 million cost-share includes an administrative cost share (\$37 million) and a benefits cost share (\$173 million).

Source: LFC analysis.



Federal Reconciliation Changes Affecting the FY27 Budget:

Health Care Affordability Fund

- The federal government excluded certain immigrants from Medicaid eligibility.
 - Originally the authority projected nearly 15 thousand immigrants would lose coverage
 - Now the authority projects between 2,000 and 2,500 will lose coverage
 - Because of the higher estimate the authority sought and received \$40 million to cover this group through a new Medicaid look alike program.
 - All Health Premium taxes in the future will go to this fund rather than sharing some of the revenue with the general fund for health and other expenses.



Health Care Authority 1st Special Session Appropriations

Recent Special and Regular Session Appropriations to HCA (Thousands)

Purpose	To Agency/Fund	Source	Amount	Expense
SNAP for Elders and People with Disabilities	Health Care Authority	GF	\$4,600	\$4,600
SNAP for Excluded Immigrants	Health Care Authority	GF	\$12,000	
SNAP Education Program at UNM and NMSU	Health Care Authority	GF	\$1,246	\$627
Food Banks Including \$2.5 million for Capacity Building	Health Care Authority	GF	\$8,000	\$2,376
Food at Educational-Based Centers and Food Pantries	Health Care Authority	GF	\$2,000	\$2,000
Workforce Solutions to Support SNAP and Medicaid Work Requirements	Health Care Authority	GF	\$1,500	\$1,500
Staffing and Administration in Income Support Division	Health Care Authority	GF	\$4,400	
Staffing and Administration in Medical Assistance Division	Health Care Authority	GF	\$2,200	
IT Changes for SNAP and Medicaid	Health Care Authority	GF	\$10,000	\$1,495
Healthcare Services Provided by Non-Medicaid Eligible Nonprofits	Health Care Authority	GF	\$3,000	
Reduce Health Premiums and Cost Sharing on the Health Exchange	Health Care Authority Rural Health Care Delivery Fund (HCA)	HCAF	\$17,300	\$10,437
Fund Transfer		GF	\$50,000	
2025 2nd Special Session Appropriations and Executive Orders				
Contingency Funding (Second Special Session)			\$162,500	\$0
Emergency Orders			\$30,000	\$28,000
2026 Regular Session				
Administrative Matching Rate 25% Federal 75% State			\$37,000	
Total			\$345,746	\$51,034

Source: House Bill 1 and SHARE





For More Information

- <http://www.nmlegis.gov/lcs/lfc/lfcdefault.aspx>
 - Session Publications
 - Performance Report Cards
 - Program Evaluations

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