LFC Newsletter

A publication of the **Legislative Finance Committee**

Representative Nathan Small, Chairman
Senator George Muñoz, Vice Chairman
Charles Sallee, Director

Volume 27 Issue 01 July 2026

From the Chairman

Cash in the Bank

Over the last six years, county surplus revenue has grown over 20-fold, with counties collectively holding cash balances of more than $967 million in 2024. The growth has been uneven; Eddy County had $289 million in unassigned revenue at the end of 2024, while Quay County had little in the bank. But for the many counties, these balances represent a significant opportunity to invest in infrastructure that will support quality of life and economic growth over the long term.

The growth in county revenues has coincided with a significant increase in state support for cities and counties. Today, that support includes dedicated funding for small cities and counties, fire and law enforcement protection, DWI prevention, county detention, and local roads. For counties, these special funds, which are in addition to capital outlay, increased from a total of $19 million in 2018 to $481 million in 2024. During the same period, capital outlay for local projects grew from $96 million to $509 million. Local governments are also eligible for state grants they can use for outdoor recreation development, quality of life improvements and community recreation centers, and main street development.

However, as state revenue growth begins to plateau, this level of state support is unlikely to be sustainable over the long term. While elevated oil prices have strengthened certain state funds, those revenues are not the same funds available to support local governments, making continued reliance on state assistance an uncertain solution to local budget and infrastructure needs.

Further, even with the significant growth in capital outlay funding, county requests have consistently exceeded available funds. In 2026, counties asked for $693 million for projects and received $98 million.

Counties should think creatively about how to put any excess funds to work. Local governments already have some long-standing tools available, but these surpluses represent a new and unusual opportunity. Perhaps excess funds could help fill outstanding capital outlay requests, or development projects. Partnering with private investors also allows counties with surpluses large or small to develop the infrastructure that will support their communities for decades.

By investing excess funds in strategic infrastructure and development projects, counties in all corners of our state can turn an extraordinary period of revenue growth into lasting economic benefits for current and future generations of New Mexicans.

Representative Nathan Small
Chairman

High Hospital, Drug Costs Drive Healthcare Increases

Healthcare costs, both commercial rates and the costs of public assistance, have climbed in the last five years, with high hospital costs, specialty drugs, provider wages, and general inflation driving the increases in both markets, LFC analysis shows.

In a report scheduled to be presented to the committee at 10 a.m. July 22, LFC staff note premiums for commercial insurance increased from $511 to $638 per month between 2020 and 2024, or about 25 percent. During the same period, the cost per-member, per-month for Medicaid recipients in the managed care program increased 20 percent, although much of that increase was driven by a 28 percent increase in already expensive long-term care.

Hospital costs are a dominant driver of higher costs, the report says, especially for the Medicaid population. Lawmakers have increased Medicaid rates for hospitals to bring the payments in line with commercial rates.

Insurance companies contend commercial rates are higher, for hospitals as well as other services, partly because public reimbursement rates are too low and income from commercial payers is needed to cover the shortfall between the costs of serving Medicaid patients and reimbursement rates.

However, hospital costs have continued to climb for those with private insurance as well, partly because care is being provided by a shrinking number of providers and competition is limited.

Pharmacy costs have also increased in both markets because of increasing use of specialty drugs, including weight-loss GLP-1s, and health provider wages are up post-pandemic.

Staff report total costs for the Medicaid program—with about three-quarters covered by the federal government—grew from $9.1 billion in the 2022-2023 fiscal year (FY23) to $11.5 billion in FY26, even though enrollment dropped by 188 thousand to 805 thousand during that same period.

The increase in Medicaid payments to hospitals and a patient mix that is starting to lean toward more expensive patients are primary drivers of the higher cost per client, the report says.

If the cost per member had not increased, the decrease in enrollment would have saved the program about $600 million.

Data Shows Where New Mexico Lags

New Mexico's below average high school graduation rate sets up a cycle that leads to lower incomes and fewer adults working, creating a drag on the state's economy, a new LFC dashboard illustrates.

The New Mexico Prosperity Dashboard, scheduled to be demonstrated for the committee at 9:30 on July 21, collects live data from state and federal sources and allows LFC staff to model different scenarios.

Data in the site shows New Mexico has fewer adults with high school diplomas and fewer college-degree holders, conditions closely associated with earnings.

While New Mexicans without any diploma earn a little over $30 thousand a year, those with a high school degree earn almost $42.5 thousand, and those with a bachelor's degree earn more than $56 thousand, nearly double those without a diploma.

While the share of New Mexicans with college degrees is growing, the state has gained ground more slowly than national trends. The gap between New Mexico and the United States for degree attainment grew from 2 percentage points in 2005 to 5 percent in 2024.

New Mexico's wages drag behind the national average as well—the average wage would need to increase by $17 thousand a year to meet the national average.

New Mexico's average wage has been about 73 percent of the national average for 20 years.

The dashboard also looks at New Mexico's low rate of working-age adults with jobs, second lowest nationally.

New Mexico's low labor force participation is linked to higher reliance on public assistance and other government programs.

Government transfers make up 25 percent of personal income in New Mexico.

Industrial Revenue Bonds Use, Value Climbs

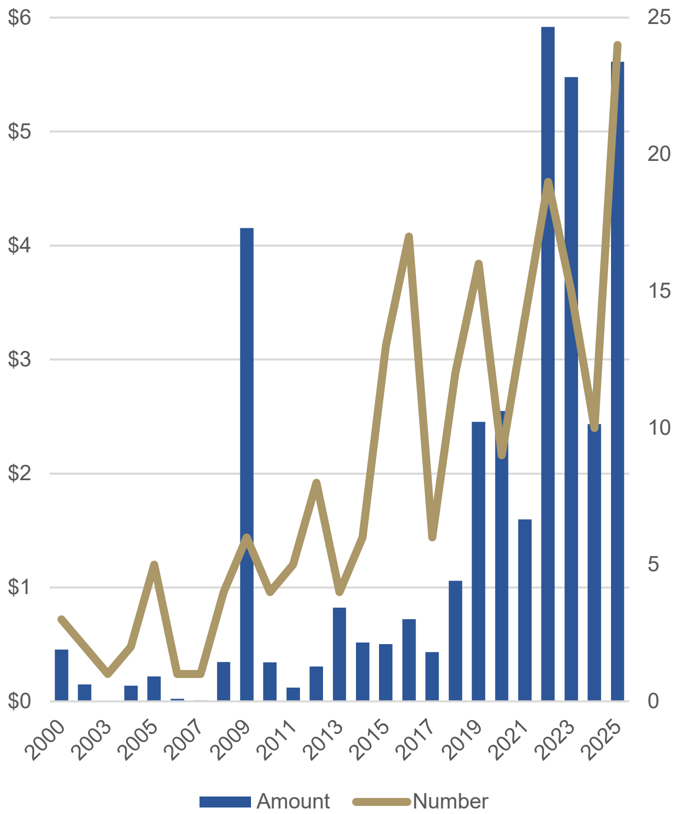
Both the number and value of industrial revenue bonds (IRBs) issued by local governments have increased multifold over the last 25 years, even when the largest projects are excluded, LFC data shows.

LFC staff have identified about 22 counties and 11 municipalities that issued 210 IRBs for $265 billion between 2000-2025; however, no comprehensive statewide list of IRBs exists.

Under the IRB process, local governments grant companies substantial property and gross receipts tax breaks under the assumption that job creation, capital investment, economic growth, and other benefits will outweigh the loss in tax revenue.

LFC staff find in a report scheduled to be presented to the committee at 2:30 p.m. July 22 that neither the state nor local governments require sufficient reporting on IRBs to determine whether that trade-off pays off.

Industrial Revenue Bond Issuances Excluding Outliers
(dollars in billions)



Figures do not include several extraordinarily large projects that distort the trend. Those are a $16 billion IRB for Intel in 2004, a $30 billion IRB to Meta in 2016, and a $165 IRB to Project Jupiter in 2025.

On the Table

Executive Orders Total $5.3M So Far

The governor issued seven executives orders in the first week of the 2026-2027 fiscal year (FY27), for a total of $5.3 million since July 1. For the 2025-2026 fiscal year, the total was 220 orders for $155.8 million.

Schools Cash Balances Drop

Statewide public school cash balances totaled $693 million at the close of the fiscal year, the Public Education Department reports, the first year-over-year drop since school cash balances were used to help balance the budget in FY17. The total was $45 million down from FY25 and represented 15 percent of operational funds for school districts and charter schools. However, LFC analysts note the figures are preliminary.

CTE Funds Redirected

The Public Education Department has requested moving $19.4 million in unused career and technical education funds to other spending categories, including the shift of $11 million to the other spending category for grants to schools.

UNM Ups Doctor Pay

The University of New Mexico Health Sciences Center has used a $21.5 million special appropriation for compensation to bring physician pay to the 50th percentile nationally, making it better than that in about half of states. The appropriation increased funding for salaries by about 8 percent.

CYFD IT Project At Risk of Further Delays

Unresolved technical issues and inadequate training are among the issues that could cause further delays to a Children, Youth and Families Department IT project that was supposed to be done four years ago, LFC staff say. While the department says it is on scheduled to “go live” in August, CYFD does not have plans in place to address the issues. The $90 million project to replace the legacy child welfare information system was launched in 2017 with a completion date in 2022 and a total cost of $36 million.

County Told to Seek Outside Fiscal Agent

The Department of Finance and Administration has directed Doña Ana County to appoint an outside fiscal agent before the county can draw any state capital outlay or special appropriation funds. The requirement follows a special audit that identified 42 fiscal management discrepancies across county operations, documenting failures in internal financial controls, procurement, human resources, and legal compliance. The Doña Ana County Commissioner intends to challenge the directive.

Healthcare Programs Support Laid Off

Lovelace Health System laid off 43 workers and Presbyterian Healthcare Services laid off 150 administrative and support workers in June.

Transitions

LFC Deputy Director Kelly Klundt has been selected as one of two recipients of the Standing Committee Legislative Staff Achievement Award by the National Conference of State Legislatures. Klundt is being honored for her “exemplary work” for NCSL and her policy expertise and professionalism.

Michael Wilson has joined LFC as a program evaluator. Wilson holds a bachelor’s degree in business administration and economics from Texas State University and is close to finishing a master’s degree in economics from the University of New Mexico.

Julisa Rodriguez, LFC economic development analyst, will be transferring to the capital outlay team and will focus on state-owned infrastructure, construction costs, procurement, and project delivery.

Sabrina Ezelle has retired as chancellor of University of New Mexico-Gallup. John Zimmerman, the current dean of instruction, will interim chancellor.

LFC Newsletter

2026-2027 Fiscal Year, Month 1

Published monthly in the interim by the Legislative Finance Committee.

Editor - Helen Gaussoin

Questions, comments: 505-986-4550

www.nmlegis.gov/LFC

Please contact LFC support staff support.staff@nmlegis.gov if you would prefer to receive this newsletter electronically.