NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

Balancing Mid- to Long-Term Revenues and Expenditures

September 23, 2026

Presentation to the Legislative Finance Committee

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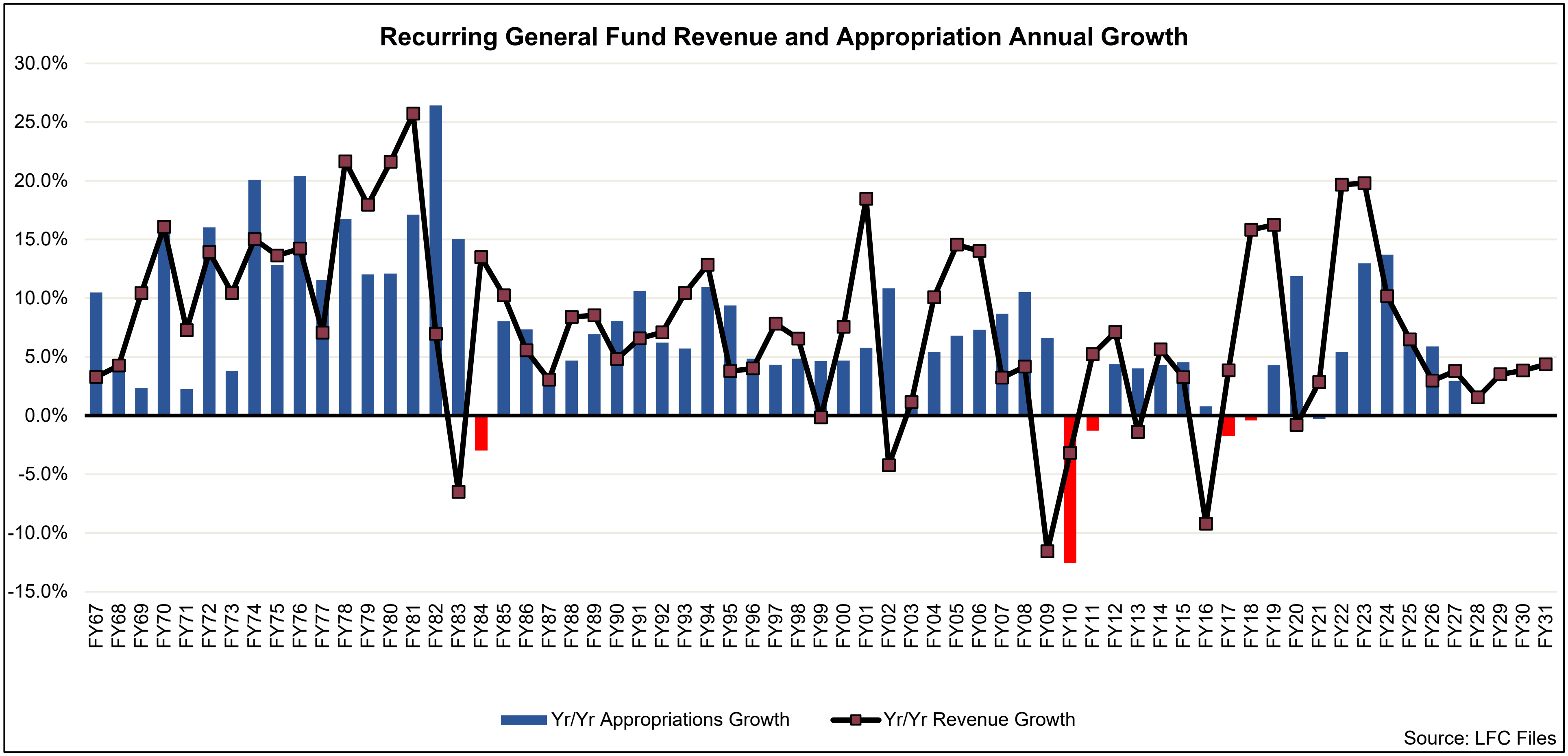
Long-term planning is a best fiscal practice for states, and New Mexico leads with the current approach.

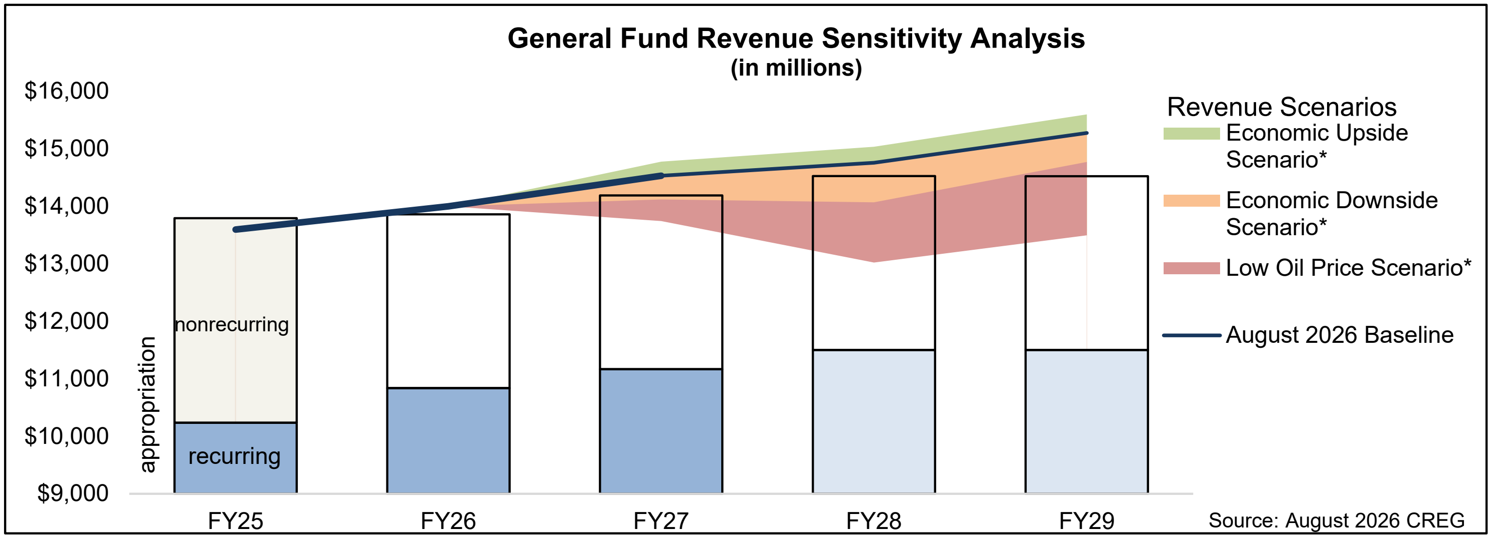
- Organizations such as the Pew Charitable Trusts, State Fiscal Health project, and the Government Finance Officers Association, encourage states to engage in more long-term financial planning.

- Why engage in long term planning for an annual budget cycle?
  - Avoid budgeting by crises and surprises
  - Strategically implement services or tax changes
  - Avoid committing to unsustainable spending
  - Understand full scope of upcoming liabilities and competing budget priorities
  - Prompts key questions that are integral to solving fiscal problems
    - Is the budget balanced now and in the future?
    - What does changing our trajectory look like and require?

Significant volatility in revenues hampers consistent investments, challenging the state's ability to plan and execute stable budgeting.

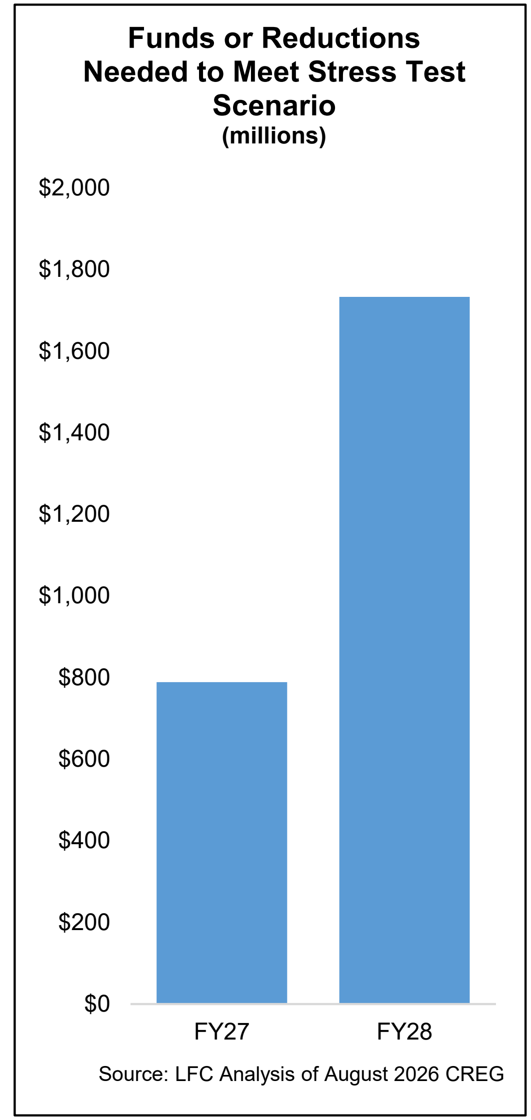


General fund reserves have enough money to cover “worst-case” stress test scenario.

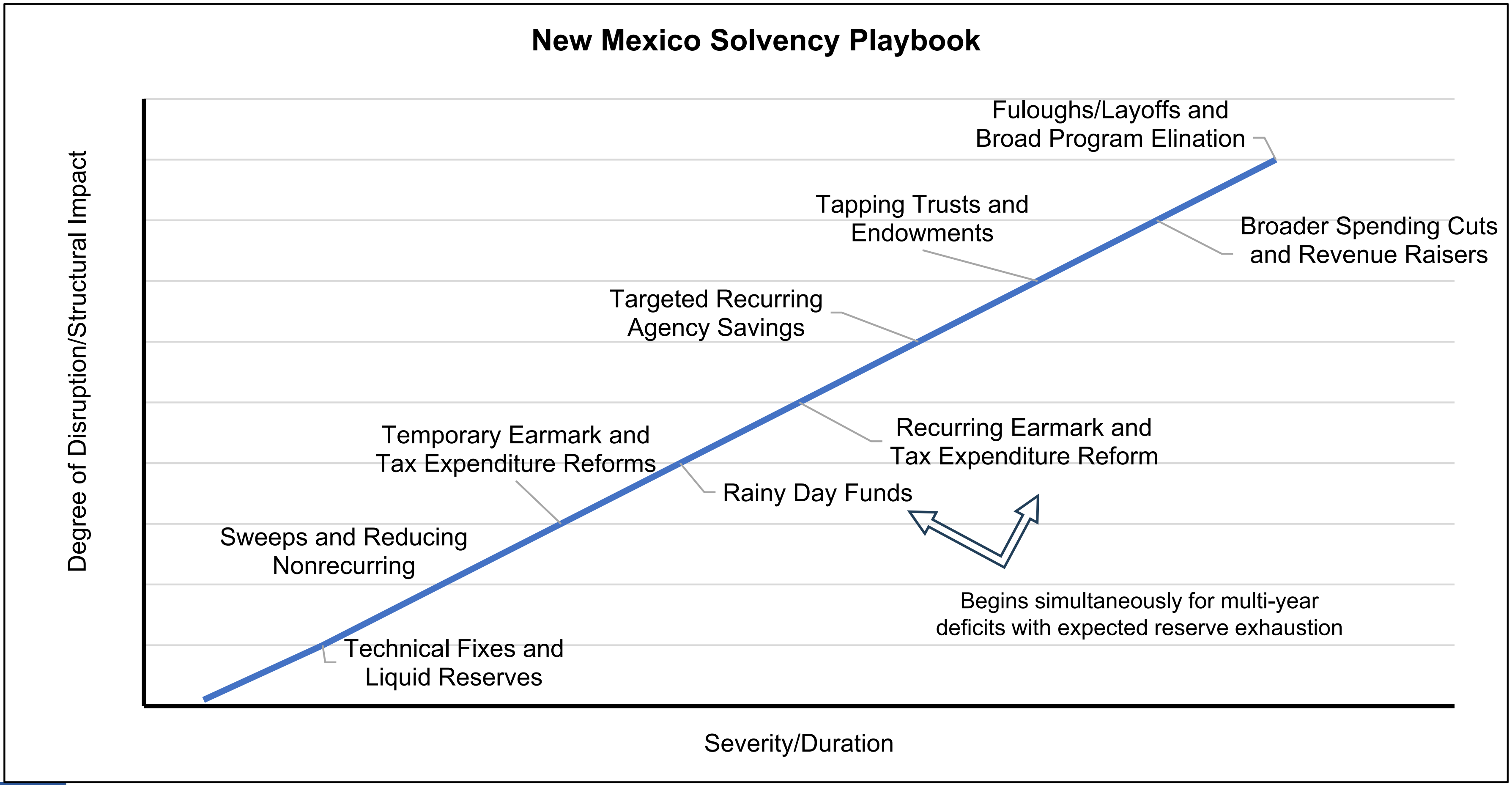


		S8: Low Oil Price			S3: Economic Downside			S1: Economic Upside			
	Scenario	FY27	FY28	FY29	FY27	FY28	FY29	FY27	FY28	FY29	
1	Severance Taxes to GF	-$61	-$377	-$270	-$23	-$28	-$11	-$1	$0	$1	1
2	Federal Mineral Leasing to GF	$0	-$250	-$281	$0	$0	$0	$0	$0	$0	2
3	Gross Receipts Taxes	-$440	-$683	-$784	-$228	-$376	-$263	$44	$83	$125	3
4	Corporate Income Taxes	-$163	-$220	-$210	-$52	-$111	-$118	$138	$126	$112	4
5	Personal Income Taxes	-$125	-$203	-$234	-$109	-$172	-$111	$65	$71	$87	5
6											6
7	General Fund Difference from Baseline	-$789	-$1,733	-$1,779	-$412	-$687	-$503	$246	$280	$324	7
8	*General Fund Percent of Total Impact*	*26%*	*40%*	*38%*	*40%*	*32%*	*30%*	*93%*	*83%*	*77%*	8
9											9
10	Severance Taxes to TSR or ECE	-$277	-$205	-$283	-$277	-$205	-$245	-$23	$16	$64	10
11	Severance Taxes to STPF	-745	-$806	-$840	-14	-$448	-$187	2	-$2	$1	11
12	Federal Mineral Leasing to ECE	-$1,246	$0	-$32	-$315	$0	-$32	$38	$0	$17	12
13	Federal Mineral Leasing to STPF	$0	-$1,601	-$1,764	$0	-$820	-$704	$0	$43	$16	13
14	TSR/ECE Transfers Diff. from Baseline	-$2,267	-$2,612	-$2,919	-$607	-$1,473	-$1,167	$17	$58	$98	14
15	*TSR/ECE/STPF Transfers Percent of Total Impact*	*74%*	*60%*	*62%*	*60%*	*68%*	*70%*	*7%*	*17%*	*23%*	15
16	Total Difference from Baseline	-$3,056	-$4,345	-$4,698	-$1,019	-$2,160	-$1,670	$263	$337	$422	16

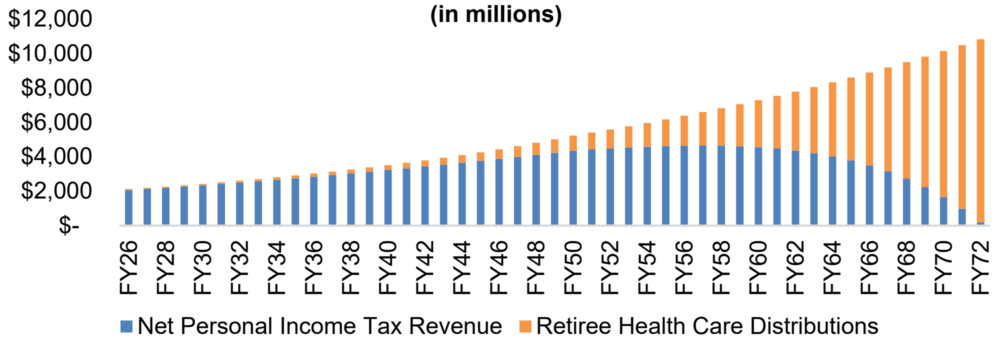
Note: in millions



National best-practices show strategic planning improves budget outcomes. Solvency frameworks are necessary for stress-testing.

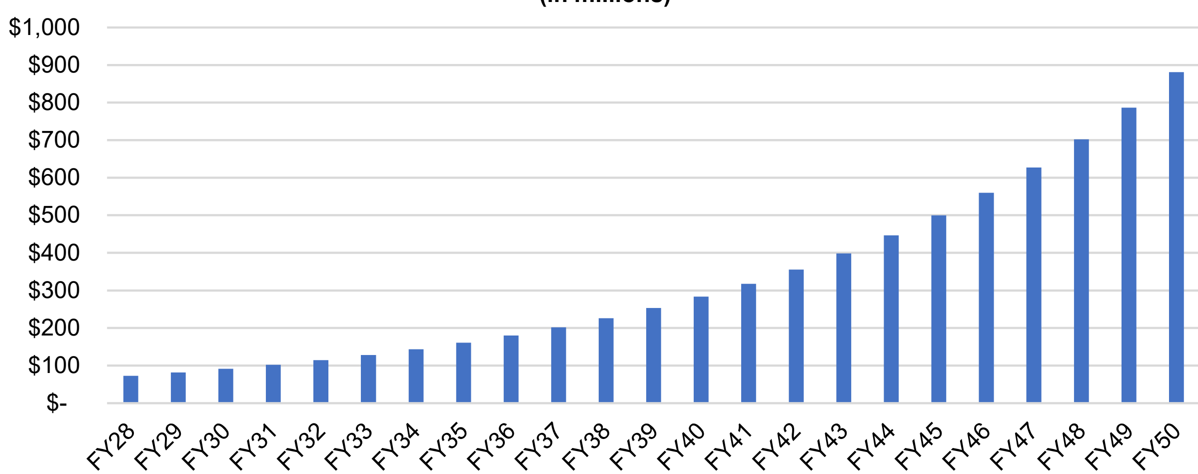


Identified in the process is the erosion of personal income tax by retiree healthcare distributions.



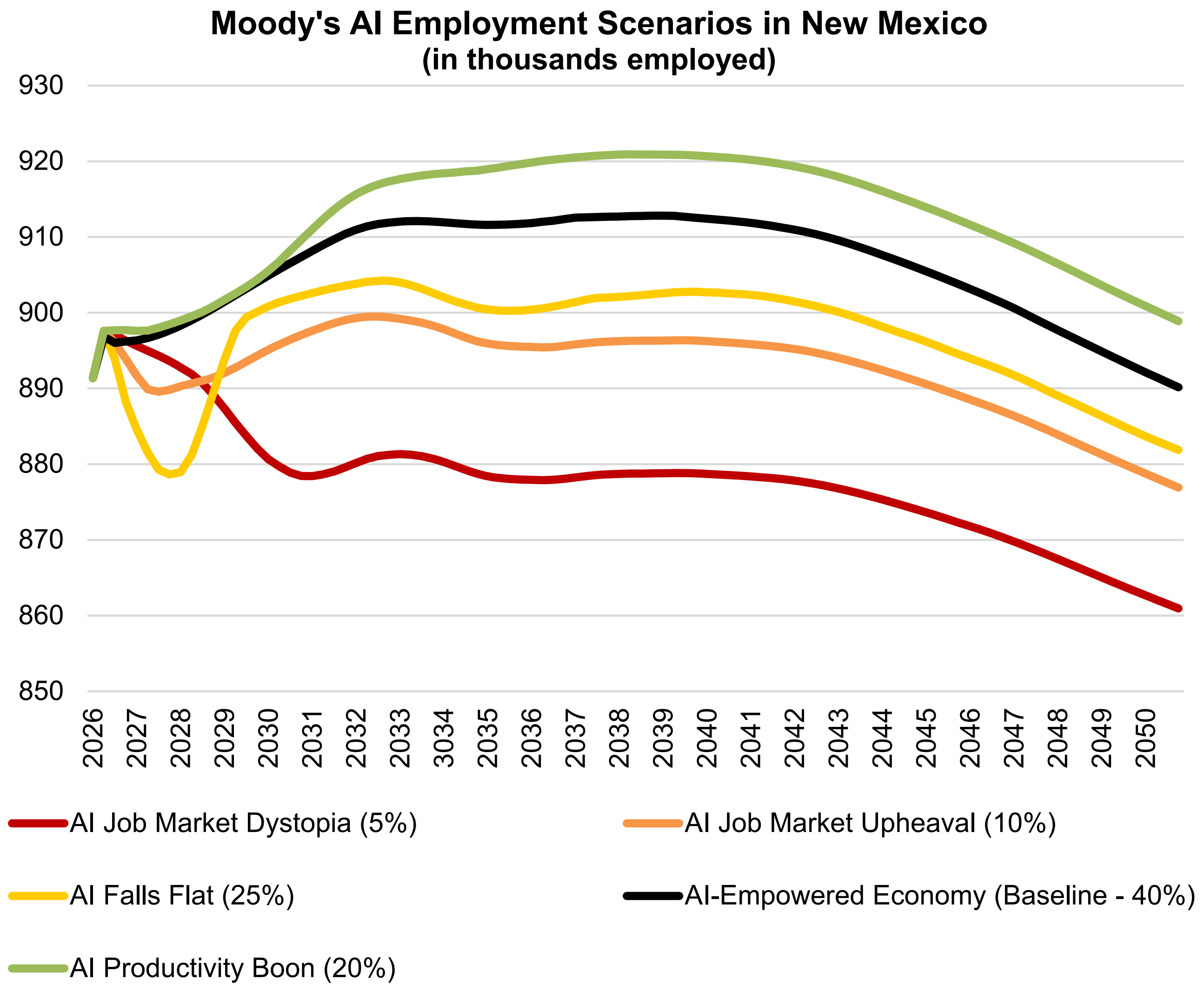
Source: LFC analysis of 2026 CREG Long-Term

- RHCA will receive $72.8 million in general fund support in FY28 outside the appropriations process.
- Set by statute, the distribution to the RHCA is an exponential growth rate of 12% a year, outpacing all revenue growth and costing $7.7 billion in general fund between now and 2050.



Source: LFC Analysis

Moody's analytics considers several scenarios economists are contemplating for economic outcomes and impacts on labor markets.



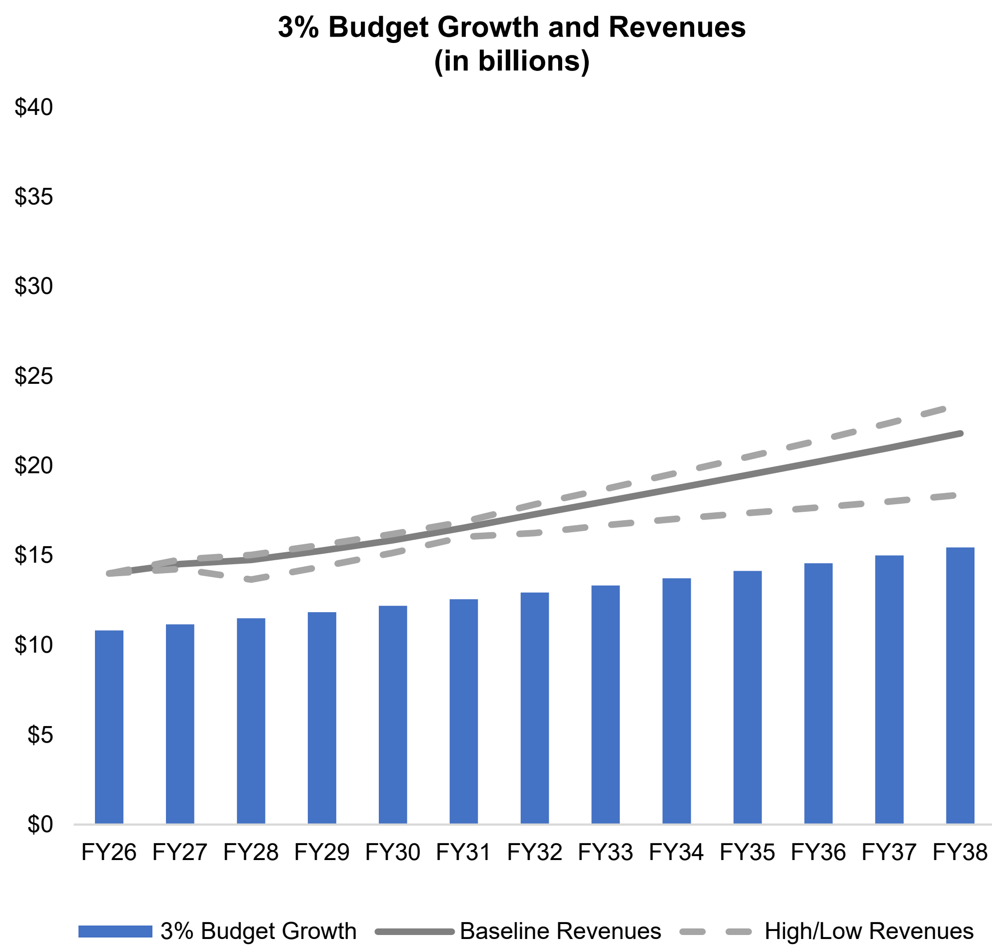
Source: Moody's Analytics (July 2026)

Budget Scenarios and the Revenue Outlook

Scenario 1: 3% Budget Growth

- Because estimated revenues grow faster than 3% throughout most of the forecast, 3% budget growth allows for a growing surplus, creating more room for nonrecurring spending, and investing.

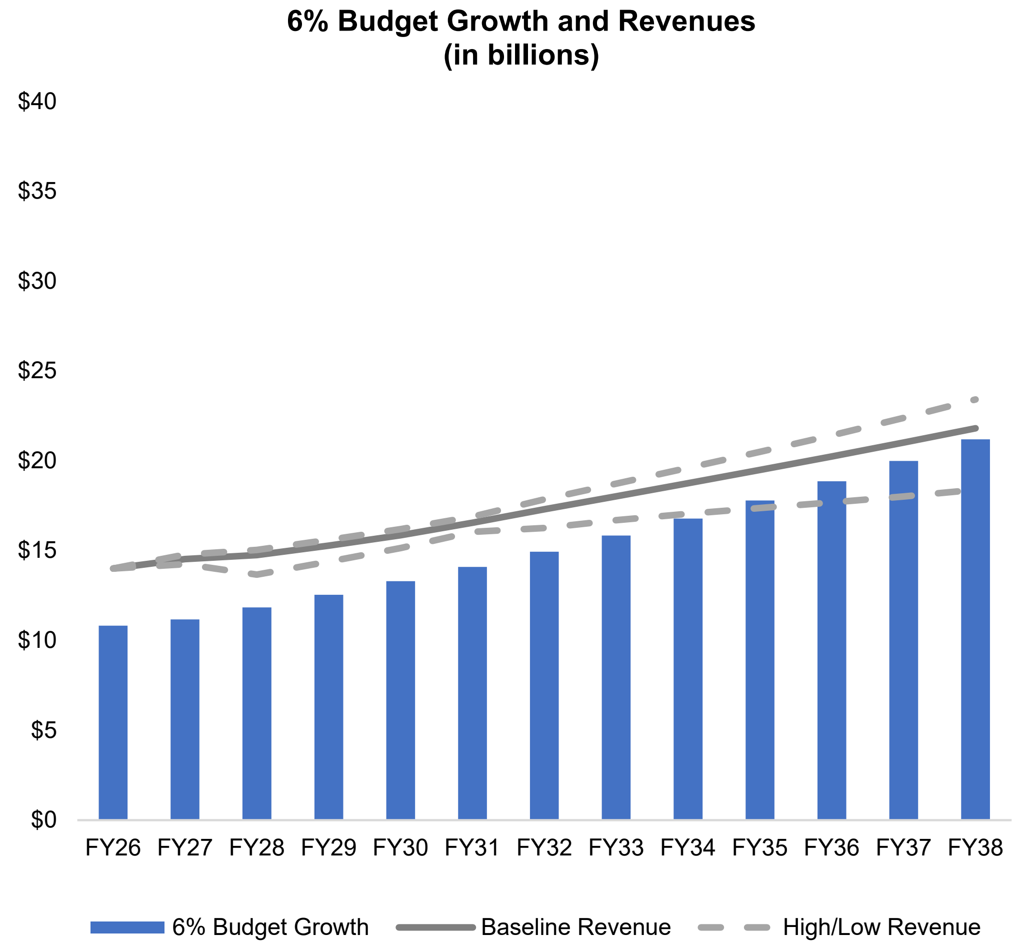
- Capacity for nonrecurring spending or additional investment grows by almost $280 million each year in the baseline revenue scenario.



Source:LFC Analysis of 2026 Long-Term CREG

Scenario 2: 6% Budget Growth

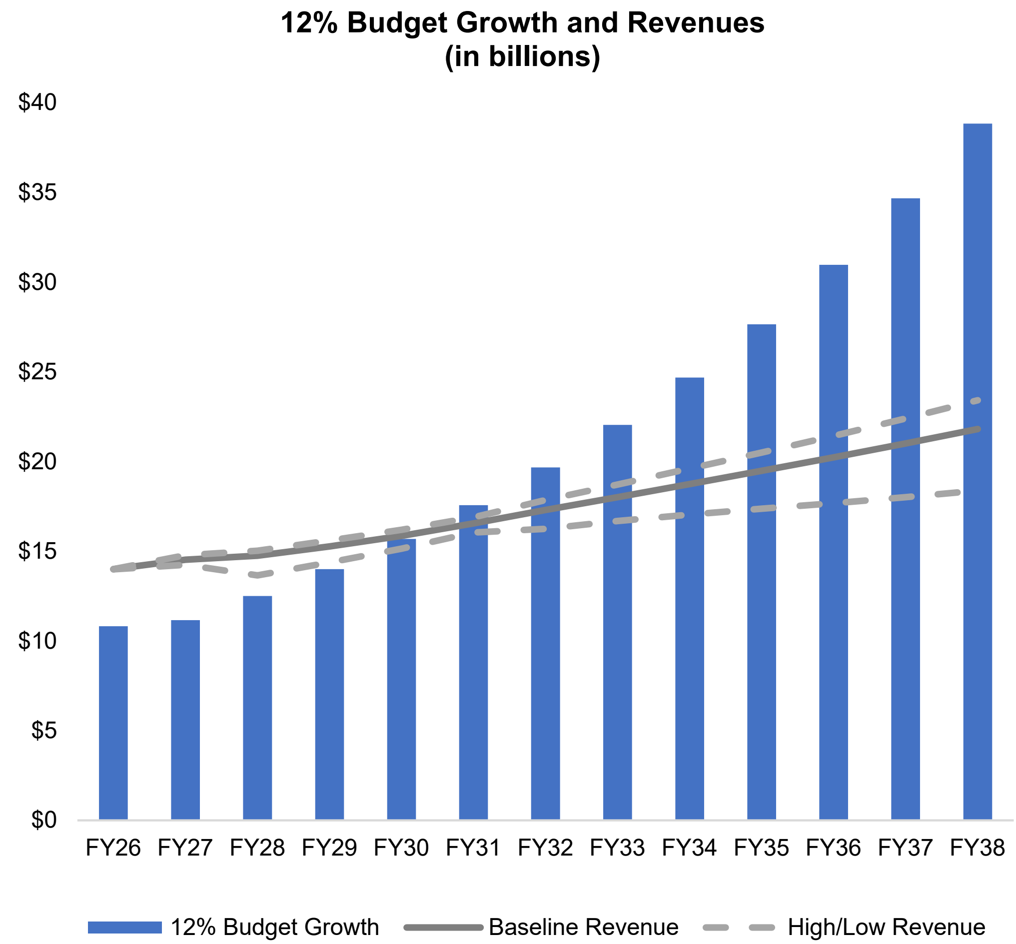
- 6% budget growth outpaces revenue growth in the baseline forecast.
- Capacity for nonrecurring spending or additional investment shrinks by almost $250 million each year in the baseline revenue scenario.



Source: LFC Analysis of 2026 Long-Term CREG

Scenario 3: 12% Budget Growth

- At 12% budget growth recurring spending exceeds revenue in FY31 (base), FY30 (low), FY31 (high).
- Capacity for nonrecurring spending or additional investment shrinks by over $1 billion each year in the baseline scenario, and only lasts for three years.



Source: LFC Analysis of 2026 Long-Term CREG

So far, agencies have requested 15.7% budget growth, without complete PED, or Higher Education Institution requests which are due late in the fall.

General Fund FY27 Op Bud and FY28 Requests
(as of Sept. 15, 2026, in thousands)

	FY27 Op Bud	FY28 Request	Increase	Percent Change
Legislative	$ 16,650.2	$ 17,003.8	$ 353.6	2.1%
Judicial	$ 498,585.4	$ 575,359.9	$ 76,774.5	15.4%
General Control	$ 235,748.2	$ 295,069.8	$ 59,321.6	25.2%
Commerce and Industry	$ 115,579.4	$ 124,473.4	$ 8,894.0	7.7%
Ag, Energy, Natural Resources	$ 147,782.2	$ 178,174.5	$ 30,392.3	20.6%
Healthcare and Communities	$ 3,085,965.8	$ 3,506,599.1	$ 420,633.3	13.6%
Public Safety	$ 611,682.3	$ 689,696.0	$ 78,013.7	12.8%
Public School Support	$ 95,430.7	$ 162,622.4	$ 67,191.7	70.4%
Higher Education	$ 188,832.5	$ 230,407.5	$ 41,575.0	22.0%
Total	**$ 4,996,256.7**	**$ 5,779,406.4**	**$ 783,149.7**	**15.7%**

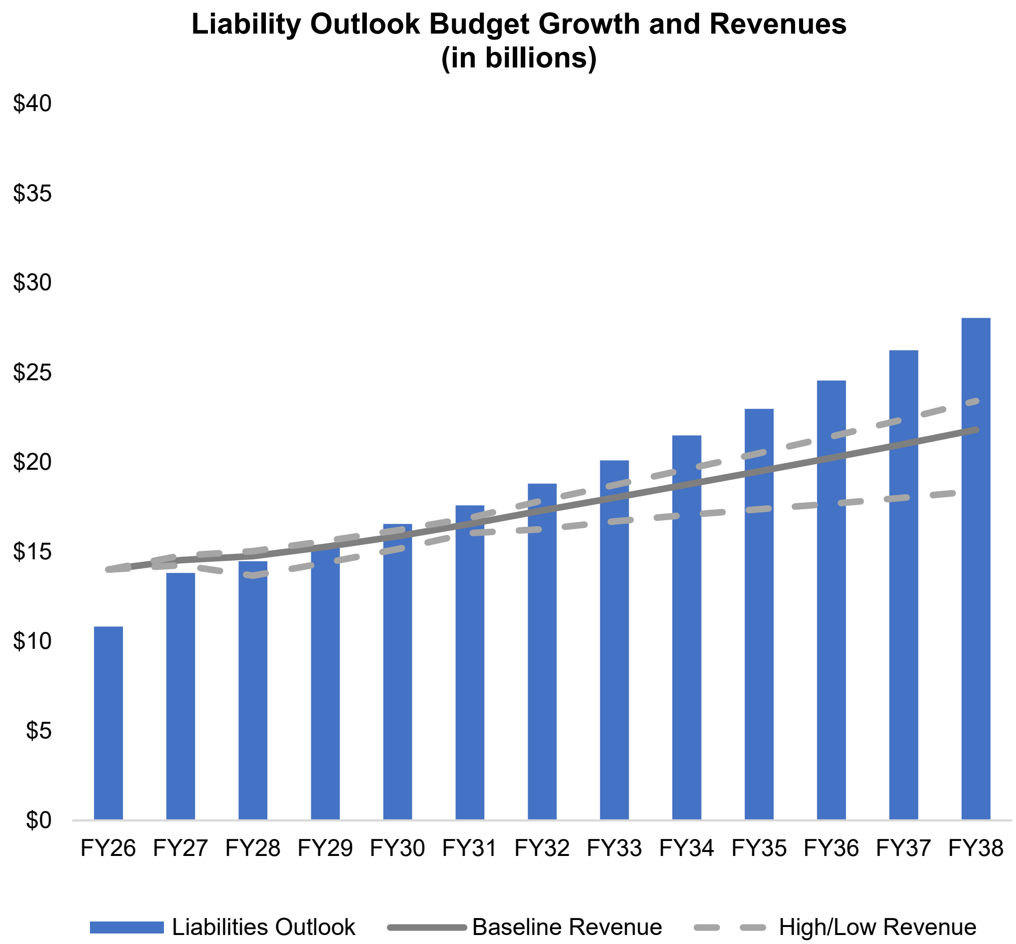
Liabilities necessitate trade-offs with new initiatives, nonrecurring priorities, base budget growth, and other investments. Liabilities outlook brings deficits by FY30, absent prioritization.

FY27-FY30 General Fund Recurring Appropriation Outlook with Liabilities

(in millions)

	Operating Budget FY27	Outlook FY28	Outlook FY29	Outlook FY30
Total Recurring Revenue	**$ 14,532.0**	**$ 14,765.3**	**$ 15,275.0**	**$ 15,861.3**
Year-to-Year Percent Change		*1.6%*	*3.5%*	*3.8%*
Subtotal - Recurring Appropriations	**$ 11,165.8**	**$ 11,704.8**	**$ 12,282.6**	**$ 12,884.5**
Year-to-Year Percent Change, pre-adjustment	3.1%	4.8%	4.9%	4.9%
Other Potential Recurring Liabilities				
Pilots				
-Move Successful GRO to Base Budget		$ 72.0	$ 151.0	$ 171.7
- Move Successful PERF to Base Budget		$ 25.0	$ 45.6	$ 64.0
Early Childhood/Child Welfare				
- Childcare Assistance Backfill[2]		$ 50.0	$ 50.0	$ 350.0
- Protective Services Personnel		$ 14.0	$ 14.0	$ 14.0
Education				
- Career Technical Education/Internships		$ 45.0	$ 45.0	$ 45.0
- Literacy coaches/institute operations		$ 16.6	$ 16.6	$ 16.6
-STEM intervention and network		$ 35.0	$ 35.0	$ 35.0
- Teacher prep, recruitment, retention, ed fellows		$ 25.6	$ 25.6	$ 25.6
Health and Human Services (SNAP/Medicaid)				
- HCAF Coverage for Immigrants/Expired Tax Credits and Other[3]		$ 85.3	$ 161.8	$ 273.2
- Federal SNAP New State Cost Share for Benefits[4]				$ 173.2
- Replace UNM Hospital Directed Payments with State Supplemental Payments			$ 25.0	$ 50.0
- DD Waiver Rate Study (2026)		$ 27.3	$ 27.3	$ 27.3
- Phase two Personal Care Services Rate Adjustment		$ 10.0	$ 10.0	$ 10.0
Subtotal - Additional Recurring		**$ 405.8**	**$ 606.9**	**$ 1,255.6**
Total Recurring Appropriations + Additional Rec	**$ 11,165.8**	**$ 12,110.6**	**$ 12,889.5**	**$ 14,140.1**
Year-to-Year Percent Change	*3.1%*	*8.5%*	*6.4%*	*9.7%*
Surplus/(Deficit) Rec	**$ 3,366.2**	**$ 2,654.7**	**$ 2,385.5**	**$ 1,721.2**
- Capital Outlay	**$ 443.2**	**$ 525.0**	**$ 525.0**	**$ 525.0**
- Higher Ed Capital Fund		**$ 300.0**	**$ 300.0**	**$ 300.0**
- Non Recurring Specials, Supp, & Fund Transfers[5]	**$ 2,207.9**	**$ 1,502.1**	**$ 1,502.1**	**$ 1,502.1**
Subtotal- NR Appropriation from Recuring Rev	**$ 2,651.1**	**$ 2,327.1**	**$ 2,327.1**	**$ 2,327.1**
Surplus/(Deficit) Rec & NR	**$ 715.1**	**$ 327.6**	**$ 58.4**	**$ (605.9)**

Scenario 4: The Current Liability Outlook



Source: LFC Analysis of 2026 Long-Term CREG

How can the state improve the long-term revenue outlook?

- Foster economic growth to beat current expectations. Investments today need to result in transformational impacts on revenues tomorrow.
- Resist spending all revenues on recurring uses, now and in the future.
- Invest short-term, peak production revenues for future use.

STRATEGY How we grow earned income	STATE INVESTMENTS & PROGRAMS (NM Examples)
Grow the population Attract and retain more working-age, high-skill residents who contribute to the economy.	▪ Targeted recruitment of high-demand employees like nurses, engineers, and skilled trades ▪ Keep NM graduates with career pathways and housing supports. ▪ Expand “Remote New Mexico” and outdoor economy to attract remote workers with outside income.
Raise participation Help more existing residents work, work more, or stay employed.	▪ Childcare and early learning (e.g., NM PreK, childcare subsidies). ▪ Transportation assistance and connections to employers (e.g., workforce transit, rural transit). ▪ Behavioral health and reentry programs (e.g., NM Corrections workforce initiatives).
Expand labor demand Create more job opportunities for New Mexico workers.	▪ Infrastructure and broadband expansion. ▪ New employment opportunities particularly in distressed areas. ▪ Faster permitting and site readiness to attract and grow private investment.
Improve job quality Increase wages, hours, stability, and benefits.	▪ Support for higher wages in care economy, education, and public safety. ▪ Earned income tax credits, other incentives for higher wages and more hours.
Raise productivity / skills Increase worker skills and output per hour.	▪ Sectoral training and apprenticeships (e.g., NM Workforce Partnership, CTE, etc.). ▪ Higher education completion and credentialing. ▪ Improve health outcomes and maintain healthy environments.
Improve local capture Keep more of the value created in New Mexico in the hands of residents and local businesses.	▪ Local hiring pipelines for major projects (e.g., labs, energy, infrastructure, healthcare). ▪ Supplier development and small business support (e.g., GRT, NMSBDC, procurement). ▪ Training local workers for high-wage, high-demand projects.

QUESTIONS?

For More Information:
https://www.nmlegis.gov/LFC
Publications on:

- Budgets
- Revenues
- Performance Report Cards
- Program Evaluations and more!

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