

**DRAFT Interim Report
of the 2026
Federal Funding Stabilization
& Affordability Subcommittee**

October 7, 2026

Federal Funding Stability and Affordability Committee

Membership

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Senator Cindy Nava, Co-Chair
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The following draft report was developed with support from the Legislative Finance Committee and Legislative Council Services staff.

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Federal Funds Interim Committee: Charge and Summary

2026 Charge

On April 17, 2026, the New Mexico Legislative Council created the Federal Funding Stabilization and Affordability Subcommittee (FFSAS) for a second year and added affordability to the subcommittee's purview.

Speaker Martinez identified that “the affordability crisis, in light of what is happening at the federal level, continues to be an issue for New Mexicans, so ... [the FFSAS] will come up with some good ideas for [the legislature] to take up at the next legislative session.”

President Pro Tempore Stewart asked at the formation of the committee that the co-chairs “get in front of [the legislature’s] other committees.”

Summary of Committee Hearings

During the 2026 interim, the FFSAS met five times with meetings in Santa Fe, Bernalillo, Taos Ski Valley, Gallup, and concluded in Santa Fe on October 8th.

The May organizational meeting reviewed the 2025 interim and approved the 2026 work plan. In Bernalillo, the subcommittee examined state and local exposure to federal funding changes, including Medicaid and SNAP, federal grant administration and local government impacts, and recent changes and the current state of housing affordability and federal housing programs.

At Taos Ski Valley, the subcommittee focused on fiscal and tax issues associated with federal actions. Presentations addressed national and state fiscal conditions, federal and state tax interactions, federal tax conformity and decoupling, and the effects of federal actions on county governments.

The August meeting in Gallup was held jointly with the Legislative Health and Human Services Committee and focused on program implementation and affordability. The committees reviewed Government Results and Opportunity program evaluation, Temporary Assistance for Needy Families workforce outcomes, the state health insurance exchange, federal Medicaid changes, the Health Care Affordability Fund, rural health transformation, food insecurity and strategies for maximizing federal revenue.

Across the 2026 interim committee meetings, the subcommittee focused on identifying New Mexico’s exposure to federal fiscal and policy changes and understanding their effects on state programs, affordability, within the context of the state’s fiscal conditions.

Summary of the Problem

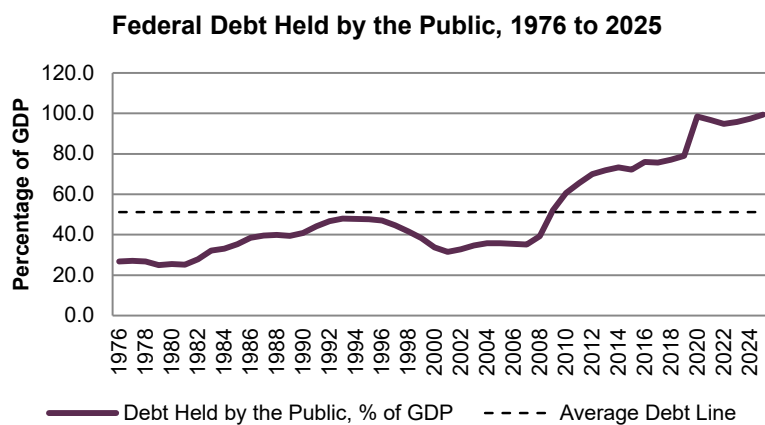
Overview of the federal budgeting process

The federal budgeting process starts each February when the president submits a budget request to congress, laying out the administration's spending and revenue priorities for the fiscal year starting in October. Congress is not bound by the request but may take it into consideration. Funding flows through discretionary spending which requires annual appropriations bills, and mandatory spending, which continue under permanent law and include programs such as Social Security, Medicare, Medicaid. Although there are several ways congress makes budgetary changes, the two primary avenues are through the annual appropriations process for discretionary spending and through reconciliation which is limited to mandatory spending, revenues, and the debt limit.

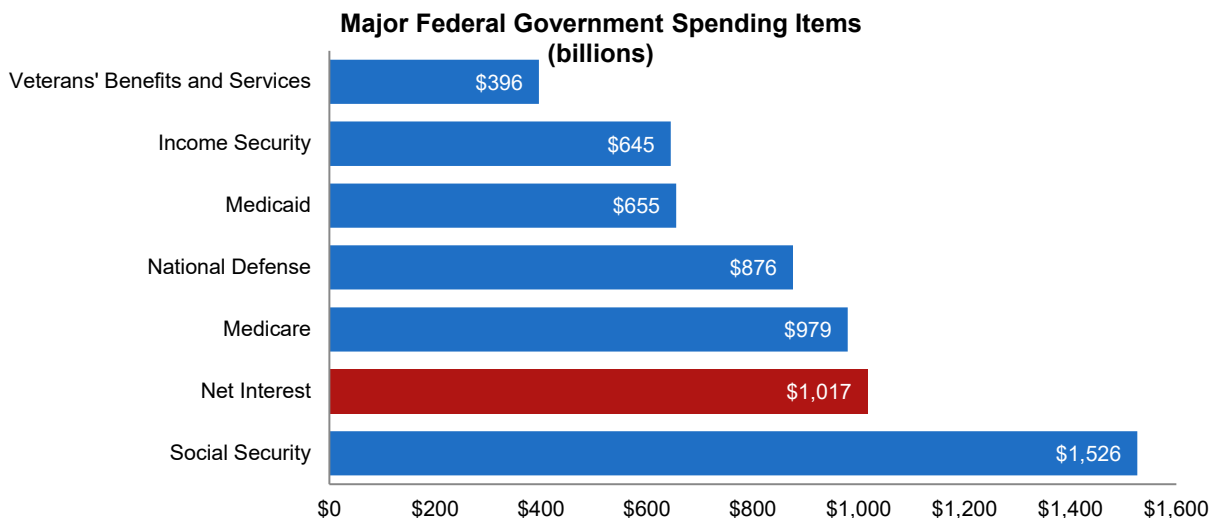
Congress begins its process by adopting a budget resolution which sets overall spending, revenue, deficit, and debt level targets for each congressional budget committee. If Congress is considering the annual appropriations bill for discretionary spending, the process is like the state appropriations processes. However, in recent years congress rarely runs on schedule and appropriations typically lapse into continuing resolutions. If congress adopts a resolution to advance the budget through reconciliation (which allows budget bills to pass with a simple majority, side stepping a filibuster) budget committees will report legislation changing spending, revenues, or debt levels by the specified amount over a specified time. Congress then packages the reported provisions into a single reconciliation bill. However, reconciliation provisions are subject to the Byrd rule in the Senate which limits changes strictly to budgetary issues which cannot exceed the budgeting window and cannot affect Social Security. Since discretionary spending is only about one-third of total spending, big changes in spending do not occur through the annual appropriations process but through the reconciliation process where mandatory spending changes usually occur.

Over the last several years, discussion around the federal government's budget has become increasingly urgent, especially now, with the federal debt reaching 100 percent of the nation's gross domestic product. In federal fiscal year 2025, total revenues to the federal government were \$5.2 trillion while total outlays (expenditures) were \$7 trillion. With annual interest payments on the nation's debt largely expected to surpass \$1 trillion in FFY26, interest has now become the second largest spending category in the federal budget, second only to Social Security.

These decisions expose states to risk from proposed cuts unevenly. Whether congress acts through reconciliation or through the appropriations process states absorb the consequences, with states varying widely in how much of their economies and their budgets depend on federal spending. New Mexico is uniquely exposed to any changes. Federal funds enter the state through payments that flow through the state budget, spending that enters the economy directly, and revenue the state receives as its share of mineral production on federal



land. New Mexico's large exposure to federal budget decisions, functions less as an afterthought and more as a direct determinant of the state's fiscal and economic health.



Source: Peter G. Peterson Foundation

Importance of Federal Funds in New Mexico

In fiscal year 2024-2025, the federal government spent approximately \$28.8 billion on transfer payments through state government budgets and another \$38.6 billion directly in the state's economy. Direct federal spending accounts for approximately one-quarter of the state's gross domestic product with transfer payments supporting Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and support for education, transportation, and many other smaller programs. Direct federal spending includes the national laboratories (LANL, Sandia), military installations (Kirtland, Holloman, Cannon, White Sands), federal civilian employment, Social Security and veterans' benefits paid directly to individuals, IHS and tribal program spending, and university research funding, each with a different political and appropriations exposure to potential federal cuts.

Additionally, the state receives significant revenue from federal mineral leasing, which is expected to grow to \$5.1 billion in FY27, a 67 percent increase compared with FY26. The increase is driven by a \$4 billion Bureau of Land Management oil and gas lease sale, of which many parcels are in New Mexico, and is not a recurring sale. These revenues support early childhood and now Medicaid expenditures. Senate Bill 88 (2025) created the Medicaid trust fund (MTF) and created a new distribution of half of the early childhood trust fund (ECTF) portion of excess FML revenue into that fund in FY26 through FY28. In FY27, an estimated \$2.3 billion will be distributed to the ECTF and MTF (\$1.15 billion to the ECTF and \$1.15 billion to the MTF), and \$1.2 billion will flow to the severance tax permanent fund, supporting both long-term fiscal sustainability and future Medicaid needs according to the most recent consensus revenue estimating group projections.

Federal funds have also served as a counter cyclical stabilizing force, helping to sustain the state's economy during downturns through increased Medicaid and SNAP enrollment and through countercyclical increases to the rate at which the federal government matches state Medicaid funding. When the state experiences a downturn, Medicaid matching rates increase. Additionally, in 2025, federal transfer payments through state agencies comprised about 43 percent of the state's entire budget.

Direct Federal Spending to Individuals and Entities in New Mexico (millions)	
Major Federal Entitlements	Amount
Social Security	\$9,076.00
Medicare	\$5,782.90
Supplemental Nutrition Assistance Program (SNAP) - benefits	\$1,252.10
Veterans benefits (except education)	\$1,242.40
Medical care for veterans	\$944.60
Supplemental Security Income (SSI)	\$437.20
Total	\$18,735.20
Non-Defence and Defence Contracts and Research	
Non-defense contracts (Primarily Department of Energy)	\$11,997.85
Defense contracts	\$1,435.70
Research contracts and grants to public universities	\$381.40
Total	\$13,814.95
Wages, Salaries, and Benefits for Federal Employees	
Federal civilian wages and salaries	\$2,758.10
Military wages and salaries	\$1,231.80
Railroad retirement and disability benefits	\$109.40
Education and vocational training for veterans	\$64.30
Total	\$4,163.60
Grants and Assistance To Individuals	
Earned Income Tax Credit (refundable amount)	\$399.60
Child tax credit (refundable amount)	\$246.40
Federal student loans	\$224.80
Pell Grants	\$204.10
Housing choice vouchers	\$117.70
Head Start	\$88.60
All other housing support	\$49.90
Tax credits for education (refundable amount)	\$21.70
Telecommunications and associated infrastructure for schools and libraries	\$15.00
Other student financial aid	\$13.43
Tax credits to low-income individuals for health insurance premiums	\$13.00
Total	\$1,394.23
Grants, Contracts, and Support for Private, Nonprofit, and Other Entities	
Transfers to non-profits institutions	\$191.70
Agriculture grants to farmers and forestry-related grants to companies	\$165.30
Support for transit agencies	\$102.00
Total	\$459.00
Grand Total	\$38,566.98

Sources: include Bureau of Economic Analysis, Veteran's Affairs, Social Security, Internal Revenue Service, and others

Identified and Projected Funding Impacts

House Resolution 1

In July 2025, the federal government enacted House Resolution 1 (HR1), a sweeping reconciliation package that fundamentally changed the way the federal government finances Medicaid, the Supplemental Nutrition

Assistance Program (SNAP), state health insurance exchanges created under the Affordable Care Act, and other social programs. Many of the changes affect eligibility requirements and increase requirements for state matching funds. The most significant impacts of HR1 will continue growing over the next decade.

Impacts to Programs

Medicaid

The federal reconciliation bill made substantial changes to Medicaid, the financial impact of which will be felt most several years from now. Changes include phasing out hospital state-directed payments (a type of supplemental hospital provider rate), reducing allowable state taxes on providers, establishing a new work requirement for certain adults, requiring Medicaid co-pays for the first time, changing the eligibility redetermination timeline from once to twice annually, limiting retroactive eligibility, and excluding certain immigrants from the program. The changes are expected to lead to a lower health insurance coverage rate, reduced compensation to providers, and ultimately more unpaid care that will have to be absorbed by the healthcare system.

State-Directed Payments and Provider Taxes. HR1 caps on certain provider rates will substantially reduce state support for hospitals. Traditionally, hospitals and Medicaid managed care organizations set their own payment rates, and states could not tell plans how much to pay hospitals. To help cover shortfalls, states often made supplemental payments to hospitals, sometimes unrelated to actual patient use. In 2016, the federal government began phasing out these “passthrough” payments and allowed states instead to make state-directed payments to hospitals through the managed care organizations. States used this flexibility more during the pandemic to support hospitals. Traditionally, Medicaid limited hospital payments to the Medicare upper payment limit. More recently, federal rules have allowed state-directed payments at the average commercial rate, often two and one-half times higher than Medicare’s rates.

Along with many other states, New Mexico took advantage of these earlier changes by enacting the Health Care Delivery and Access Act, which instituted a new provider tax on hospitals that would be matched with Medicaid revenues and sent back to the hospitals in the form of a directed payment, bringing hospital compensation up to the average commercial rate. The arrangement, starting at the end of FY25, is expected to increase hospital compensation by about \$1.1 billion annually. HR1 will gradually bring much of this to an end by capping the total payment rate for inpatient hospital services at 100 percent of Medicare for states that expanded Medicaid eligibility under the Affordable Care Act, although it grandfathered in existing directed payments. Grandfathered payments will be reduced by 10 percent per year starting in January 2028 until they reach 100 percent of the Medicare payment rate. The bill also prohibits new state taxes on providers, although, like the provider cap, it allows existing taxes but requires they be reduced by 0.5 percent per year until they reach 3.5 percent. New Mexico’s current provider tax is set at about 6 percent of revenues.

Medicaid Work Requirements. HR1 also created new community engagement requirements for people enrolled in Medicaid in the adult “expansion” population, so-called because it is the adult population states could opt to cover under the federal Affordable Care Act. Adults between the ages of 19 to 64 will now be required to enroll in a qualifying activity for 80 hours per month. Qualifying activities include work, work programs, community service, education, or any combination thereof. The bill also includes certain exemptions for guardians of a child under 14 years of age, Native Americans, the medically frail, and those with chronic or other conditions, such as substance use disorders, disabling mental disorders, and developmental disabilities. The work requirement starts in January 2027, but provisions may allow the state to delay this start date.

Medicaid Enrollment. These policy changes are expected to lead to a decrease of approximately 80 thousand enrollees in Medicaid, according to an analysis conducted by KFF, a health policy analysis organization. However, the reduction should be considered in light of the pandemic and disenrollments that occurred after the federal government unwound many of the pandemic emergency provisions that loosened enrollment. In March 2023, Medicaid enrollment peaked at just over 1 million enrollees. As of September 2025, there were 807 thousand enrollees, nearly a 20 percent decrease in enrollment.

SNAP

The federal Supplemental Nutrition Assistance Program (SNAP) is the largest food assistance program in New Mexico, providing about \$1 billion in benefits to 21 percent of the state's population. SNAP is overseen by the U.S. Department of Agriculture but administered by states. New Mexico has the highest proportion of its population participating in SNAP in the country, over 21 percent of the population, and enrollment and spending have grown faster than national trends.

Annual SNAP benefits issued in New Mexico increased from roughly \$600 million in FFY14 to a pandemic-era peak of more than \$1.5 billion in FFY22, before declining to about \$1 billion as emergency allotments expired. In FFY25, SNAP benefits issued in New Mexico equated to around \$83 million per month or \$20.7 million per week. New Mexico also participates in the federal summer EBT program (also called SUN Bucks) offering families \$120 per income-eligible child for summer groceries, which provided about \$33 million in FY25 for 275 thousand school children in the state.

During the 2025 federal government shutdown, the governor and Legislature committed nearly \$193 million in emergency and contingency funding to ensure eligible households could continue receiving food assistance if federal SNAP benefits were suspended, including roughly \$28 million ultimately spent by the state without federal reimbursement. The Legislature also recently appropriated approximately \$23 million in FY26 and FY27 to supplement food assistance for seniors, people with disabilities, and certain immigrants excluded from SNAP eligibility.

Chart 3. Percent of Population Receiving SNAP Monthly Benefits, New Mexico vs. U.S. (1989-2025)

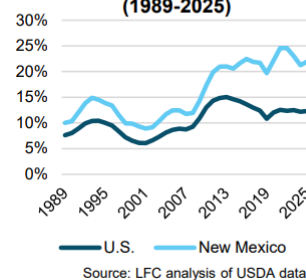


Table 4. State Funding Recently Dedicated to Supplementing SNAP in FY26 and FY27 (in millions)

Category	Funding Amount
Contingency Funding	\$162.5
Emergency Orders	\$30.0
Funding for Lawfully Present Residents	\$12.0
Funding for Seniors and People with Disabilities	\$11.2
Total	\$215.7

Source: LFC files

Administrative Costs. H.R. 1 increased the proportion of SNAP administrative costs that states must pay from 50 percent to 75 percent, requiring New Mexico to absorb roughly an additional \$37 million per year in administrative expenses. Prior to H.R. 1, SNAP administrative costs were split equally between the federal government and the state. Under the new cost-sharing structure, which takes effect in FY27, the federal share drops to 25 percent while the state share rises to 75 percent. For FY27, HCA requested and the Legislature appropriated an additional \$37 million from the general fund to backfill federal revenue for SNAP administrative costs on a recurring basis.

Error Rate and Benefit Costs. In addition, H.R.1 imposed cost-sharing for SNAP benefit costs, while these costs were historically entirely covered by the federal government. Prior to H.R. 1, SNAP benefits were 100 percent federally funded regardless of a state's payment error rate, a measure of how accurately a state is issuing SNAP benefit payments. Under the new cost-sharing structure, states with SNAP payment error rates below 6 percent will continue to receive full federal coverage of SNAP benefits. States with error rates between 6 and 8 percent will be required to pay for 5 percent of SNAP benefits, states with an error rate between 8 and 10 percent will be required to pay 10 percent of SNAP benefits, and states with an error rate above 10 percent will be required to cover 15 percent of SNAP benefits. Before the changes from H.R. 1, USDA only imposed a smaller standard SNAP financial liability onto states that had high payment error rates (exceeding 105 percent of the national error rate target) for two years in a row.

According to a [2026 LFC Program Evaluation of SNAP](#) Administration, New Mexico's error rate is the fifth highest in the country, and the state could face penalties up to \$173 million if the state's error rate does not significantly improve. The report concluded SNAP payment errors are primarily caused by inaccurate income or household information about SNAP recipients, administrative mistakes, and weaknesses in HCA case management, training, and oversight. The report recommended the agency enhance data verification and field office performance monitoring processes, as well as training and oversight mechanisms to reduce the state's error rate.

A bill, currently under consideration in the U.S. Senate Agriculture Committee would increase the state cost share for Supplemental Nutrition Assistance Program (SNAP) benefits from 15 percent, as was enacted last year in the federal government's sweeping entitlement and budget reform bill, to 20 percent starting in federal fiscal year 2031 for states with payment error rates exceeding 10 percent. Because New Mexico's payment error rate is so high, the state will not have to start paying the cost share until FFY30 thanks to a provision in last year's bill that delayed implementation for states with error rates above 13.32 percent. If the Farm Bill under consideration passes, this cost will increase to nearly \$200 million in FFY31. Based on preliminary data, the recent LFC evaluation found that the state's payment error rate was the fifth highest nationally. However, more recently published finalized data puts New Mexico's error rate at 16.81 percent in FFY25, or third highest nationally.

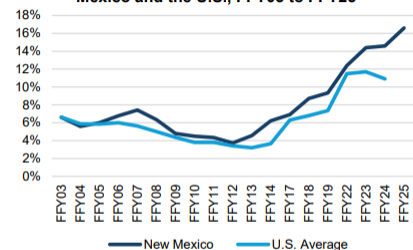
Work Requirements. Although SNAP has included work requirements for decades, H.R. 1 made substantial changes to SNAP work requirements. SNAP requires able-bodied SNAP recipients ages 18-54 without dependents to document 80 hours per month of work, training, or volunteer activities to maintain eligibility. The recipients who do not meet or report these requirements and do not qualify for an exemption

Table 2. H.R. 1 Changes to Federal and State Cost Sharing of SNAP Benefits and Administration

SNAP Cost Type	Pre-H.R. 1 Cost Share	Post-H.R. 1 Cost Share
SNAP Benefits	100% federal funding	Dependent upon SNAP error rate: - If error rate is below 6%, federal government pays 100% of benefits. - If error rate is between 6% and 8%, the state pays 5% of benefits (\$58 million in NM). - If error rate is between 8% and 10%, the state pays 10% of SNAP benefits (\$116 million in NM). - If error rate is above 10%, a state must pay 15% of SNAP benefits (\$173 million in NM).
SNAP Admin.	50% federal funding, 50% state	25% federal 75% state (additional \$37 million)

Source: LFC review of H.R. 1 information.

Chart 1. SNAP Payment Error Rates for New Mexico and the U.S., FFY03 to FFY25



Notes: FFY means federal fiscal year. SNAP error rates were not calculated in FFY15 or FFY16 because of national data issues or in FFY20 and FFY21 because of the Covid-19 pandemic. The FFY25 error rate for New Mexico is preliminary and still needs to be finalized by the USDA.

Source: LFC analysis of HCA and USDA data.

may lose benefits after three months, though eligibility can be restored once requirements are met. H.R. 1 expanded these requirements to people up to 64 years old and also removed certain automatic work requirement exemptions, such as exemptions for veterans and people experiencing homelessness while still allowing people to qualify for other work requirement exemptions (such as having a physical disability). While federally mandated, these changes will require significant state and local outreach to ensure recipients understand the new rules and available exemptions. HCA initially estimated these changes would affect approximately 56 thousand New Mexicans and lead more than 20 thousand individuals to lose SNAP benefits. SNAP recipients decreased by about 38 thousand (or 8 percent) from 476 thousand recipients in January 2025 to 438 thousand recipients in August 2026.

Rural Health Care Transformation Program

As a part of HR1, the federal government included funding for the federal Rural Health Transformation Program (RHTP) a five-year, \$50 billion initiative focused on promoting innovation, strategic partnerships, infrastructure development, and workforce investment to support rural healthcare access, quality, and outcomes. The RHTP was authorized under the federal budget reconciliation bill, or H.R. 1. It will distribute \$10 billion annually from 2026 through 2030, with \$25 billion of those payments to be distributed equally across states with an approved RHTP plan and the remaining \$25 billion to be distributed to states at the discretion of CMS. The application was open from September 15 through November 5, 2025. On November 5, 2025, the Centers for Medicare and Medicaid Services (CMS) announced that all 50 states submitted applications for their share of the \$50 billion Rural Health Transformation Program.

On December 29, 2025, CMS announced that New Mexico will receive just over \$211 million from the RHTP to fund rural health programs in 2026, likely continuing through 2030. In 2026, all 50 states received the first of five years of RHTP awards. First-year awards ranged from \$147 million to \$281 million. New Mexico received the 13th largest award at \$211.5 million, above the national average award of \$200 million. With the announcement of the 2026 awards, federal administration officials indicate they will recoup funds if states fail to meet certain criteria or do not carry out pledged actions. Funding is based on federal appropriations, program performance, and compliance with federal reporting and accountability requirements. To facilitate RHTP implementation, CMS is dedicating project officers to each state to provide ongoing guidance and technical assistance. HCA reports this first-year award will permit New Mexico to start all five of the initiatives outlined in its program application.

Federal RHTP funds carry statutory and administrative restrictions that explicitly prohibit states from using the funds to supplant existing state or local funding, limiting allowable uses and constraining program flexibility. Federal guidance generally restricts RHTP expenditures to time-limited transformation activities rather than ongoing clinical operations or the permanent expansion of services. Funds cannot supplant existing state or local funding, support routine Medicaid reimbursement, or cover capital construction unrelated to transformation objectives. In their applications for RHTP funding, states were required to include a “program duplication assessment” that verified they would not use RHTP funds to replace or duplicate existing funding sources. These restrictions require states to align their proposed activities with clearly defined transformation goals and measurable milestones and limit the state’s ability to use funding to address immediate operational shortfalls or sustain services once federal support expires. As a result, to stay in bounds of the federal restrictions, New Mexico will have to strategically appropriate any funding awarded in new, sustainable ways that support longer-term systems.

The state’s five priorities comprise the following:

- Strengthen specialty care and chronic disease management with regional specialty and maternal care networks, provider training, and remote care technologies,

- Build and sustain rural healthcare workforce,
- Launch a competitive grant program for rural, frontier, and tribal communities to use on health initiatives that address unique healthcare challenges,
- Establish a rural health sustainability and innovation center to deliver technical assistance, provider, education, and operational support to rural providers, and
- Statewide health analytics platform that integrates siloed data sources to improve rural health planning.

New Mexico Health Insurance Exchange

The federal Patient Protection and Affordable Care Act (ACA), enacted in 2010, sought to reduce the number of Americans without health insurance. Among its many provisions, the ACA directed states to develop health insurance marketplaces, also known as health insurance exchanges, to offer private healthcare policies to individuals who do not have access to other minimum essential coverage including Medicaid, Medicare or an affordable health insurance option through their employer. In response, New Mexico built a state-based health insurance exchange, known as BeWell or NMHIX.

The federal government and New Mexico both offer subsidy programs to eligible enrollees that reduce monthly premiums and out-of-pocket costs on the exchange. Subsidies are provided on a sliding scale, where more assistance is offered to those with lower incomes. Federal advance premium tax credits reduce costs for eligible individuals purchasing coverage through the health insurance exchanges. The subsidy effectively caps premiums paid by the consumer at a certain percentage of their income based on a benchmarked plan's cost. The benchmark plan varies by the location, age, and family size of the enrollee. The federal government sets income caps, based on federal poverty level ranges. Enrollees are expected to contribute more as their income increases known as the "sliding scale." For example, under 2026 federal advance premium tax credit guidelines, enrollees with incomes at 150 percent of the federal poverty level (FPL), or \$24 thousand annually for an individual, contribute 4.19 percent of their income to health insurance premiums, while enrollees with incomes at 200 percent of the FPL, or \$32 thousand annually, contribute 6.6 percent. The federal Health and Human Services Department (HHS) updates these caps annually. Advance premium tax credits (APTC) are financed through a permanent federal appropriation, which provides indefinite authority for disbursements. A temporary expansion to the federal premium tax credits enacted during the Covid-19 pandemic (known as *enhanced* premium tax credits) that broadened eligibility and increased financial assistance for enrollees expired at the end of 2025.

New Mexico's Health Care Affordability Fund. Funded by the Health Care Affordability Fund, the New Mexico premium assistance subsidy further reduces monthly premiums for eligible BeWell consumers, setting affordability standards and cost sharing below federal levels. The New Mexico premium assistance program has the same eligibility requirements as federal advance premium tax credits, with two exceptions: in 2026, the Legislature and HCA expanded income eligibility beyond 400 percent of the FPL to backfill the expiration of the enhanced premium tax credits and New Mexico premium assistance is offered to those under 100 percent of the FPL, or roughly \$16 thousand for an individual, who no longer meet immigration requirements for federal tax credits. The HCA secretary sets household contribution caps annually, which are notably lower than the federal amounts for 2026, increasing the state's subsidy amount. Enrollees with incomes at both 150 and 200 percent of the FPL are expected to pay none of their income toward health insurance premiums under HCA's caps,

The HCAF is funded by a portion (3.75 percent) of the health insurance premium surtax. The premium surtax is a tax levied on health insurance companies based on the premiums they collect and because Medicaid makes up such a large share of the state's health insurance landscape, an estimated two-thirds of the surtax revenue deposited into the HCAF come from Medicaid managed care premiums. The remaining third comes from privately insured plans.

and the maximum contribution for any enrollee is 8.5 percent, compared with 9.96 percent for the federal subsidy.

In 2025, the Legislature appropriated almost \$40 million, in addition to the health care affordability fund's (HCAF) recurring budget, to replace the expiring enhanced federal premium subsidies for on-exchange consumers. During the 2025 regular legislative session, the Legislature appropriated \$22.3 million to maintain premium assistance for marketplace enrollees with incomes below 400 percent of the FPL, supplementing the \$50 million recurring appropriation for marketplace affordability programs. During the 2025 special session, the Legislature appropriated an additional \$17.3 million to extend premium assistance for enrollees with incomes above 400 percent of the FPL in the first half of the year.

In 2026, the Legislative Finance Committee published a program evaluation report [*Progress Report: New Mexico Health Insurance Exchange*](#). The report concluded that New Mexico has made purchasing health insurance through insurance exchange more affordable by expanding state subsidies at greater amounts and higher income levels than federal programs, allowing enrollees to pay less towards their premiums. While the national exchanges experienced a decline in enrollment, New Mexico's exchange enrollment grew substantially in 2026, reaching over 80 thousand enrollees in 2026, with 90 percent of enrollees receiving state and federal subsidies. The report noted enrollment is concentrated among individuals earning less than 400 percent of the federal poverty level and older New Mexicans not yet eligible for Medicare. Record enrollment and expanded state subsidies increased HCAF marketplace affordability expenditures 179 percent from 2025 to 2026.

The report also noted that premium costs on the exchange have increased significantly, catching up to reflect premiums nationally. The rising premiums in New Mexico are largely absorbed by state-funded subsidies, not enrollees; as premium costs soar, enrollees are insulated from the impact, and the state absorbs a greater share of health insurance costs.

While program expansion boosted the state's exchange enrollment, as currently implemented, the state subsidy programs may be unsustainable with current projected HCAF revenues. HCA holds administrative authority to establish and adjust income-based eligibility and program parameters, which allows the agency to manage program spending as fiscal conditions change. HCA is currently considering cost-containment measures that would modify eligibility and benefit parameters to extend the HCAF's solvency through FY29.

Work Requirements and Workforce Programs

H.R. 1. The federal House Resolution 1 (H.R. 1) reduces federal funding for workforce programs and changes eligibility rules. The legislation includes various provisions affecting workers, workforce programs, and federal health and human services entitlement programs. The federal legislation provides temporary tax breaks for tips and overtime pay for workers while concurrently adding proof of working requirements for people to participate in federal entitlement programs including Medicaid and the Supplemental Nutrition Assistance Program (SNAP).

H.R. 1's provisions could affect the Workforce Innovation and Opportunity Act (WIOA) by having states align with new federal performance metrics to ensure eligibility for participants. Further, under the legislation the Workforce Investment Act (WIA) Adult, Dislocated Worker, and Youth formula grant programs are zeroed out for new federal funding. The WIA outreach, job search, placement, counseling services provided by WIA job centers will be supported only by prior federal funding or alternative sources forcing states to reallocated resources or reduce service levels, especially in areas with high unemployment.

On August 12, 2025, The U.S. Departments of Labor, Commerce, and Education jointly released a framework for the national workforce strategy, *America's Talent Strategy: Equipping American Workers for the Golden Age*. The framework is organized around five pillars: 1) employer-driven training and work-based learning, 2) enhanced worker mobility, 3) integrated service delivery, 4) outcome-based accountability, and 5) adaptability to innovation and AI. Consistent with the framework, the executive budget recommendation reorganized federal workforce grants into a single roughly \$3 billion grant program, the Make America Skilled Again (MASA) grant, and eliminated more targeted Workforce Innovation and Opportunity Act (WIOA) and other grant funding for specific populations.

The proposed cuts to WIOA have not materialized in federal law. The final federal budget for Federal Fiscal Year 2026, passed via continuing resolution preserved WIOA funding at levels similar to the prior year. Recommendations from the federal executive for Federal Fiscal Year 2027 again recommend eliminating WIOA and other targeted grant funding and replacing the funding with the MASA grant program.

The Legislature appropriated \$1.5 million during the first special session in 2025 to the Workforce Solutions Department to support programs to help New Mexicans meet the work requirements of HR1 within the Medicaid and SNAP programs.

New Mexico's Employments Services Program. The Workforce Solutions Department (WSD) implements programs through the local workforce development boards related to the federal Workforce Innovation and Opportunity Act (WIOA). The federal program aims to assist job seekers in accessing employment, education, training, and support services to succeed in the labor market and to help employers meet their workforce needs. LFC report cards highlight participation in WIOA training programs has declined in the last several years and reached a new low of 3,175 participants in FY26, a reduction of 33.9 percent relative to FY24 and well below the target of 6,850 participants. Further, previous LFC analysis of program performance compared to other state WIOA programs in the dislocated worker, youth, and basic career services programs has found that New Mexico generally ranked in the lowest fifth percentile over the last five years.

A variety of LFC reports have noted New Mexico experiences low rates of labor force participation and high rates of poverty. During the third quarter of FY26, the state's labor force participation rate (LFPR) of 57.2 percent remained about 5 percentage points below the national average. LFC has previously estimated the state would need an estimated 40 thousand additional individuals between the ages of 20 and 54 working or looking for work to meet the national average.

To increase workforce participation, the National Conference of State Legislatures recommends that states focus on strengthening workforce attraction, retention, and expansion programs. For example, some states are expanding access to higher education and workforce development programs and working on strategies to keep workers in the workforce by improving worker accommodations. Other states have fostered registered apprenticeships, established career pathways, expanded supportive services, and addressed demand in critical industries in targeted ways. New Mexico has adopted some of these approaches, but existing programs chip away at the edges without dramatically increasing the number of working-age adults participating in the labor force.

A 2024 LFC Program Evaluation: Improving New Mexico's Workforce Participation concluded WSD relies on workforce connections centers (WCCs) to reach those seeking services in rural and urban areas of the state. The model for these centers dates to the New Deal of the 1930s, a pre-internet economy where large segments of the unemployed population actively sought jobs. Today, New Mexicans' use of these centers is rapidly declining, accelerated by the shift to online and remote services during the pandemic. Accessing basic career services at a WCC does not affect users' employment outcomes. Moreover, WSD is struggling

in its initial attempts to reach the TANF population. Since taking over the administration of the New Mexico Works program for work-eligible TANF recipients in 2021, WSD's performance outcomes have drastically fallen behind those of the previous contractor. Additionally, a fragmented referral system hampers co-enrollment in other key programs and support services, and it discourages evaluation and tracking outcomes of participants. The report concludes that adoption of evidence-backed practices for referral systems and case management may improve WSD's results.

Similarly, the LFC's 2026 Action Plan: Disconnected Youth reported New Mexico has approximately 32 thousand youth ages 16 to 24 who are not in school, working, or in training ("disconnected youth"), and a variety of workforce programs operated primarily by WSD are not consistently reaching this population. The report recommended intentionally targeting this population in recruitment efforts and expanding programs with demonstrated effectiveness.

Given the work requirements imposed by HR1, the state will need to improve the implementation of efforts to connect people with workforce development programs and the coordination of potential referrals from HCA to workforce programs. The Legislature has made significant investments in workforce development programs in recent years, often through the Government Results and Opportunity Fund, detailed below.

Government Results and Opportunity (GRO) Fund Appropriations. The Government Results and Opportunity Fund was statutorily created in 2024 and provides three years of funding for pilot projects to determine whether they have a positive impact. In 2026, the Legislature amended the statute to require evaluation plans within the first year of the appropriation and a final evaluation report in the final fiscal year of the appropriation. These reports are submitted to LFC and the Department of Finance and Administration (DFA), who review the information and provide it to the Legislature when making funding decisions. This is the final fiscal year for the appropriations funded in 2024. Final evaluation reports were submitted in September and LFC and DFA are reviewing these reports, which will be presented to the Legislature in November.

- **Higher Education Department: Credential Programs**- The Legislature appropriated \$60 million, \$20 million per year from FY25 through FY27, to pay tuition and student fees for noncredit workforce training courses, apprenticeships or internships. Workforce training courses are noncredit courses directly related to an industry credential or endorsement. These programs could be directly tied to a license or certification such as commercial driver's licenses, IT certifications in networking or cyber security, or business essentials such as Microsoft office suite. . The Higher Education Department (HED) developed a formula to distribute the funds to comprehensive and community colleges statewide and developed an annual tracking report to monitor expenditures and outcomes.
- **Workforce Solutions Department: Career Exploration and Pre-apprenticeship Programs** During the 2024 session, the Legislature appropriated funding for two Government Results and Opportunity (GRO) fund pilot projects at the Workforce Solutions Department (WSD). As approved by the Legislature, both projects—trades career exploration and youth preapprenticeship—were intended to target disengaged and disconnected young adults. However, the Governor vetoed language requiring the programs target this population. During the first two years of the pilot, LFC reports highlighted concerns about tracking participant outcomes. WSD has yet to submit final evaluation reports for either trades career exploration or preapprenticeships.

Education

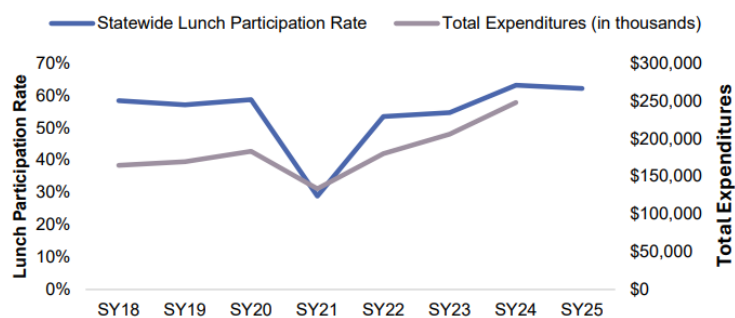
H.R.1. According to the Learning Policy Institute, federal actions that limit access or reduce enrollment in federal public health and nutrition programs, including Medicaid and SNAP, could have an impact on federal funding because education funding formulas may rely on Medicaid or SNAP enrollment to determine children who qualify for certain resources. For example, changes to Medicaid and SNAP enrollment could have an impact on how at-risk funding is distributed through the state’s public school funding formula.

In New Mexico, reductions in SNAP or Medicaid enrollment could affect the availability of federal funding for school meals programs. Research has shown that universal school meal programs can lead to higher academic achievement, improved attendance, and improved food security for students. In response to high rates of childhood hunger, the state enacted the Healthy Universal School Meals Act in 2023 to provide free meals to all students, aiming to improve nutrition, academic outcomes, and health equity across vulnerable communities. Prior to the Healthy Universal School Meals Act, schools could only receive federal reimbursement for the provision of school meals for certain eligible students.

New Mexico’s Healthy Universal School Meals program is designed as a blended model that leverages federal funding first through the community eligibility provision (CEP), with the state covering the cost of meals for higher-income students who do not qualify for full federal reimbursement. New Mexico’s Healthy Universal School Meals Act requires monthly direct certifications. This process identifies students who qualify for free meals through participation in other federal programs, such as Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or Medicaid, without the need for household applications. The higher the number of directly certified students, the more meals a school can claim at the higher federal “free” rate—a reimbursement amount provided by USDA for meals served to students eligible for free lunch, which exceeds the rates for reduced-price or paid meals—thereby reducing reliance on state funding.

[A 2025 LFC Program Evaluation of the State’s Healthy Universal School Meals program](#) noted New Mexico ranks highest nationally in community eligibility provision adoption, with 99 percent of eligible school districts participating in the 2024-2025 school year. The state’s Healthy Universal School Meals (HUSM) program requires districts to maximize federal community eligibility funding before using state resources, while the Public Education Department (PED) then calculates reimbursements and distributes state funds to cover any district school meal program shortfalls not met by federal contributions.

Chart 9. Statewide Expenditures in Schol Meal Programs Has Increased at a Higher Rate Than Participation (in thousands)



Source: LFC analysis of OBMS and PED data

As noted in the report, changes in federal eligibility rules could reduce federal support for school meals, shifting costs to the state. Total meal program spending has increased from \$206 million in the 2022- 2023 school year to \$248 million in 2023-2024 school year—20 percent in the one year since the passage of the HUSM Act. The LFC report noted that HR1 could have an impact, beginning in 2027 and estimated 2.9 (approximately 8,783 statewide) could lose direct certification, which could result in an estimated 20

schools losing CEP eligibility and 60 additional schools no longer qualifying for full federal reimbursement of meals.

To mitigate the impact of these changes, PED certified identified student percentage rates for all schools, which will be maintained for a four-year period starting in SY30. The report also recommended PED take a variety of actions to monitor federal fund reimbursement and support schools to ensure they are maximizing funding.

Housing

New Mexico's housing affordability challenge reflects low resident incomes, limited affordable supply, and uneven housing growth. A 2026 LFC report, [Nonrecurring Appropriations for Housing](#) reported census data shows the state added about 62 thousand housing units from 2020 to 2026, a recent pace of growth that exceeds the average annual increase needed to meet the 58 thousand additional units by 2045 projected by Housing New Mexico (the name used by the New Mexico Mortgage Finance Authority).

However, total housing growth does not necessarily align with need by location, tenure, housing type, or affordability; about half of the projected additional need is for housing affordable to households at or below 100 percent of area median income. Extremely low-income renters—households earning at or below 30 percent of area median income—face the largest shortages and greatest cost burdens, and the number of people experiencing homelessness remains elevated.

Federal programs are the backbone of housing support. The LFC's 2026 housing report estimates New Mexico receives roughly \$260 million annually through Housing Choice vouchers, project-based rental assistance, public housing block grants, and tax incentives.

In addition to federal funding, New Mexico has substantially expanded nonrecurring housing investments since FY23, making more than \$700 million in identifiable state housing resources available. This broader total includes special appropriations, fund transfers, capital outlay, and other housing-related programs; the \$524 million reviewed here is the narrower portfolio of major special appropriations and fund transfers for which LFC conducted detailed cross-agency analysis. About 62 percent of that portfolio had been expended or encumbered by August 2026, though activity was concentrated in two large appropriations and much of the newer funding remains available.

This report also found Housing production has accelerated in recent years, but state-supported projects account for only a small share of that growth and have not consistently targeted the lowest-income households. The state may wish to consider regulatory, infrastructure, permitting, and other financing strategies, which could have greater impact on overall housing supply than direct appropriations alone.

Table 1: FY24* Federal Housing Resources to New Mexico

Housing Choice vouchers	\$85M
Project-based rental assistance	\$38M
Public housing operating & capital	\$29M
Other federal housing resources**	\$108M
Estimated total	\$260M

* Most recent year for which sufficiently complete, finalized, or audited data are available across the major federal housing programs.

**Includes USDA rural rental assistance, LIHEAP, CDBG, Continuum of Care, HOME, weatherization, LIHTC, and smaller programs.
Source: LFC analysis of HUD, USDA, HHS, DOE, and Housing New Mexico data

Responding to Federal Changes

Actions the Legislature Has Already Taken

In response to federal changes in HR1 and the federal government shutdown in the fall of 2025, the state held two special sessions. The first special session primarily addressed budget related issues and appropriated \$116 million to continue benefits for people losing Supplemental Nutrition Assistance Program (SNAP) eligibility, for food banks for an expected increased need, for higher education programs that were cut in HR1, for workforce solutions programs to respond to the new Medicaid work requirements, for administrative changes related to HR1 in the Health Care Authority, for premium reduction on the health exchange, and for grants to rural healthcare providers. The state also enacted legislation to expand the allowable uses of the health care affordability fund and the rural health care delivery fund.

The second special session focused on the shutdown and the lapse in federal funding for SNAP benefits with the Legislature appropriating \$162.5 million in contingency funding on top of the governor's \$30 million in emergency orders. In addition, during the 2026 regular session, the state increased general fund revenue to the authority for administration of the SNAP program by \$37 million.

Recent Special and Regular Session Appropriations to HCA (Thousands)

Purpose	To Agency/Fund	Source	Amount
SNAP for Elders and People with Disabilities	Health Care Authority	GF	\$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
Food Banks Including \$2.5 million for Capacity Building	Health Care Authority	GF	\$8,000
Food at Educational-Based Centers and Food Pantries	Health Care Authority	GF	\$2,000
Workforce Solutions to Support SNAP and Medicaid Work Requirements	Health Care Authority	GF	\$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
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	HCAF	\$17,300
Fund Transfer	Rural Health Care Delivery Fund	GF	\$50,000
2025 2nd Special Session Appropriations and Executive Orders			
Contingency Funding (Second Special Session)			\$162,500
Emergency Orders			\$30,000
2026 Regular Session			
SNAP Administrative Matching Rate 25% Federal 75% State			\$37,000
Total			\$345,746

Source: LFC Files

Possible Recommendations

Budget Guidelines

In the Legislative Finance Committee's (LFC) FY28 budget development guidelines, the committee provided guidance regarding the treatment of federal funds. The guidelines indicate leveraging federal funds remains a priority whenever possible, and the budget should accurately reflect projected federal year to year carryover funds. The committee noted state funds should not supplant federal funds.

LFC noted given various federal budget issues including reconciliation, there will likely be requests for backfilling federal funds. Most requests to backfill federal funds can be treated as a budget expansion request meaning agencies should justify the need for backfilling and such justification would be considered in the budget making process. LFC will require backfilling requests to include information using its “Legislating for Results” rubric. Further, backfilling federal funds where federal funding sources have been reduced or discontinued will be evaluated using the more stringent criteria applied to budget expansion requests. Additionally, federal funds backfilling requests may also be considered for Government Results and Opportunity (GRO) pilot funding, especially if the program has demonstrated results or is promising.

Budget development for FY28 will prioritize identifying nonrecurring or temporary state funding options before committing recurring dollars, analyze cases where federal funding is frozen, and evaluate whether existing or future appropriations or programs could be more effectively administered at the state level without federal conditions.

Program Implementation

How the state implements programs, including health care, income supports, and workforce development strategies, will impact outcomes for New Mexicans and costs to the state, and the Legislature and

1. Regarding the Health Care Affordability Fund, which the Legislature has leveraged to maintain and expand federal subsidies for New Mexicans enrolled on the state’s health exchange
 - The Office of the Superintendent of Insurance should collect, record, and publicly report utilization of health care services annually over time and by plan to better understand cost drivers of premium increases; and
 - The Health Care Authority may need to make changes to eligibility and cost-sharing structures to ensure sustainability. When doing so, HCA should create, document, and publicly report this information. In addition, the agency should prioritize subsidy eligibility for lower income enrollees.
2. Regarding the administration of SNAP and the need to reduce the program’s error rate:
 - The Health Care Authority will need to strengthen data verifications of eligibility information and performance management processes to identify root causes of errors and enhance training for caseworkers to avoid significant financial penalties associated with SNAP errors.
3. Regarding workforce development programs:
 - The state should improve strategies to connect people who may be affected by work requirements to programs in which the state has invested, such as HED non-credit credential programs
 - The state should consider expanding evidence-based workforce development programs, particularly those designed to upskill disengaged adults, and target referral and recruitment efforts for disengaged adults

Responding to Federal Changes

[Pending Final Committee Discussion & Adoption]

After committee discussion and the committee found the following to be the key findings and recommendations agreed to by the members of the Federal Funding Stabilization and Affordability Subcommittee:

1)

2)

3)

Appendix A: Committee Minutes

**MINUTES
of the
FIRST MEETING
of the
FEDERAL FUNDING STABILIZATION AND AFFORDABILITY SUBCOMMITTEE**

**May 29, 2026
State Capitol, Room 307
Santa Fe**

The first meeting of the Federal Funding Stabilization and Affordability Subcommittee was called to order by Representative Patricia A. Lundstrom, co-chair, on May 29, 2026 at 10:13 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Patricia A. Lundstrom, Co-Chair
Rep. Cathrynn N. Brown
Rep. Susan K. Herrera
Sen. Linda M. López*
Sen. James G. Townsend
Sen. Linda M. Trujillo

Absent

Rep. Cindy Nava, Co-Chair
Rep. Mark Duncan
Rep. Raymundo Lara
Sen. George K. Muñoz
Sen. Pat Woods

Advisory Members

Sen. Shannon D. Pinto
Rep. Reena Szczepanski

Rep. Meredith A. Dixon
Rep. Dayan Hochman-Vigil

*Appointed by the speaker of the house of representatives or the president pro tempore of the senate as a voting member for this meeting only.

Staff

Clinton Turner, Fiscal Policy Analyst, Legislative Council Service (LCS)
Nicole Waguespack, Researcher, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the subcommittee meeting, which can be found at www.nmlegis.gov, under the "Webcast" tab. The presentations made and subcommittee discussions for agenda items can be found on the recorded webcast for this meeting.

Friday, May 29

Welcome and Introductions (10:13 a.m.)

Representative Lundstrom welcomed everyone, and members of the subcommittee introduced themselves.

Review of 2025 Key Findings and Recommendations (10:16 a.m.)

Representative Lundstrom and Mr. Turner presented a brief review of the key findings and activities of the subcommittee from the 2025 interim. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=5/29/2026&ItemNumber=1>.

2026 Proposed Work Plan and Meeting Schedule (10:34 a.m.)

Mr. Turner and Representative Lundstrom presented the subcommittee's proposed 2026 interim work plan and meeting schedule, and members provided feedback on topics that they would like the subcommittee to address during the interim. On a motion duly made and seconded, the 2026 proposed work plan was approved.

Adjournment

There being no further business before the subcommittee, the meeting adjourned at 10:56 a.m.

**MINUTES
of the
SECOND MEETING
of the
FEDERAL FUNDING STABILIZATION AND AFFORDABILITY
SUBCOMMITTEE**

**June 29-30, 2026
Board of County Commissioners Chambers
Sandoval County Administration Building
1500 Idalia Road, Building D
Bernalillo**

The second meeting of the Federal Funding Stabilization and Affordability Subcommittee was called to order by Senator Cindy Nava, co-chair, on June 29, 2026 at 9:13 a.m. at the Sandoval County Administration Building in Bernalillo.

Present

Rep. Patricia A. Lundstrom, Co-Chair
Sen. Cindy Nava, Co-Chair
Rep. Mark Duncan
Sen. George K. Muñoz (6/30)
Sen. James G. Townsend
Sen. Linda M. Trujillo
Sen. Pat Woods (6/29)

Absent

Rep. Cathrynn N. Brown
Rep. Susan K. Herrera
Rep. Raymundo Lara

Advisory Members

Sen. Linda M. López
Sen. Shannon D. Pinto (6/29)

Rep. Meredith A. Dixon
Rep. Dayan Hochman-Vigil
Rep. Reena Szczepanski

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

Clinton Turner, Fiscal Policy Analyst, Legislative Council Service (LCS)
Nicole Waguespack, Researcher, LCS
Domenica Nieto, Research Assistant, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the subcommittee meeting, which can be found at www.nmlegis.gov, under the "Webcast" tab. The presentations made and subcommittee discussions for agenda items can be found on the recorded webcast for this meeting.

Monday, June 29

Welcome and Introductions (9:13 a.m.)

Senator Nava welcomed everyone, and members of the subcommittee introduced themselves. Senator Nava announced that due to an ongoing fire in Sandoval County, the first and second agenda items would be presented in reverse order.

State Management of Federal Funds and National Developments (9:18 a.m.)

Rebecca Thiess, manager, Managing Financial Risks Program, The Pew Charitable Trusts, provided an overview of state responses to federal funding changes resulting from the passage of the 2025 federal budget reconciliation bill. Focusing on Medicaid and the federal Supplemental Nutrition Assistance Program (SNAP), Ms. Thiess reviewed actions taken by officials in other states to implement changes and prepare for future costs. She presented general recommendations, recent legislative actions and possible next steps for New Mexico. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=6/29/2026&ItemNumber=2>.

Overview and Outlook of Federal Impacts on Sandoval County (10:09 a.m.)

Wayne Johnson, county manager, Sandoval County, discussed the impact of federal funding on Sandoval County. He noted that the county receives approximately \$2 million annually in federal funding and discussed issues concerning delayed reimbursements, grant terminations, grant delays and uncertainty in grant compliance. He recommended that, to ensure county operations, enhanced grant tracking procedures and monitoring of infrastructure opportunities be implemented and stated that continued advocacy for Payments in Lieu of Taxes funding is needed. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=6/29/2026&ItemNumber=1>.

Department of Finance and Administration (DFA) Overview, Tracking of Federal Disbursements and Upcoming Federal Funding Issues (10:26 a.m.)

Mark Melhoff, acting state controller and acting director, Administrative Services Division, DFA, and Andrew Miner, D.P.A., deputy cabinet secretary, DFA, reviewed the types, characteristics and payment methods of federally funded grants used by New Mexico. The presenters outlined how the DFA established a federal working group in January of 2025 to coordinate funding changes, best practices and budgeting information among state agencies. They said that more than \$170 million in federal grants to state agencies have recently been terminated with future impacts

expected in grant delays, cancellations and reductions, and they provided information concerning state agency budgets and the contribution of federal funds for fiscal year 2027. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=6/29/2026&ItemNumber=3>.

Recap of Recent State Budget Actions, Fiscal Outlook and Federal Impact Highlights (10:58 a.m.)

Charles Sallee, director, Legislative Finance Committee (LFC), and Brendon Gray, economist, LFC, provided a review of the fiscal year 2027 state budget, with increases across nearly all government sectors, and said that the \$11.2 billion in general fund spending represents a 3.1 percent increase over fiscal year 2026. They discussed the impact of oil prices and changes in production on direct revenues and the impacts of inflation and income distribution evaluated in light of New Mexico's future economic outlook. They also provided a review of current federal budget deficits and potential federal budget changes, with an emphasis on Medicaid and SNAP funding. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=6/29/2026&ItemNumber=4>.

Approval of Minutes (11:59 a.m.)

On a motion duly made and seconded and without opposition, the minutes of the May 29, 2026 meeting were approved.

Recess

The meeting recessed at 12:01 p.m.

Tuesday, June 30

Reconvene

The meeting reconvened at 9:05 a.m.

Review of Major Housing Affordability Issues and Pending Federal Housing Actions (9:06 a.m.)

Alex Horowitz, project director, Housing Policy, The Pew Charitable Trusts, and Tara Roche, project director, Housing Policy, The Pew Charitable Trusts, presented an overview of housing affordability. Based on mortgage rates, rent growth, land contracts, housing stock and mobile and manufactured home trends from across the country, Mr. Horowitz and Ms. Roche emphasized national- and state-level economic barriers to homeownership and rent affordability. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=6/29/2026&ItemNumber=5>.

Developments and Update from the United States Department of Housing and Urban Development (HUD) (10:17 a.m.)

Ashlea Quinonez, regional administrator, Region VI, HUD; Leticia Ibarra, regional director, Community Planning and Development, Region VI, HUD; and Floyd Tortalita, deputy administrator, Southwest Office of Native American Programs, HUD, provided an introduction to HUD-administered programs aimed at increasing housing affordability. Community development grants, opportunity zone grants, investment partnerships, housing trust funds, tribal partnerships and policy changes were presented. Recent work requirement policy changes to public housing authorities and rental-based assistance programs were discussed. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=6/29/2026&ItemNumber=6>.

Welcoming Remarks and Update on Pueblo of Sandia Impacts (1:08 p.m.)

Stuart Paisano, governor, Pueblo of Sandia, discussed the pueblo's efforts to move approximately 10,000 acres of forest land to pueblo control. The federal T'uf Shur Bien Preservation Trust Area Act, which passed in 2003, placed the land under United States Forest Service management. Citing inadequate land management due to insufficient federal resources, the Pueblo of Sandia seeks to transfer the land to the United States Department of the Interior to be held in trust for the pueblo. The Pueblo of Sandia seeks to manage the land while maintaining public access.

Federal Education Issues Updates (2:10 p.m.)

John Sena, director, Legislative Education Study Committee (LESC), and Jessica Hathaway, deputy director, LESC, provided updates on federal policy and structural changes to the United States Department of Education. They also reviewed impacts on interagency agreements and kindergarten through twelfth grade federal funding contributions for New Mexico programs. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=6/29/2026&ItemNumber=8>.

Public Comment (2:59 p.m.)

A list of individuals making public comment is available in the meeting file.

Adjournment

There being no further business before the subcommittee, the meeting adjourned at 3:05 p.m.

**MINUTES
of the
THIRD MEETING
of the
FEDERAL FUNDING STABILIZATION AND AFFORDABILITY SUBCOMMITTEE**

**August 3-4, 2026
The Blake at Taos Ski Valley
Tenderfoot Katie's Meeting Room
6 Ernie Blake Road
Taos Ski Valley**

The third meeting of the Federal Funding Stabilization and Affordability Subcommittee was called to order by Representative Patricia A. Lundstrom, co-chair, on August 3, 2026 at 9:08 a.m. at Tenderfoot Katie's Meeting Room in Taos Ski Valley.

Present

Rep. Patricia A. Lundstrom, Co-Chair
Rep. Mark Duncan
Rep. Raymundo Lara (8/3)
Sen. George K. Muñoz (8/3)
Sen. Linda M. Trujillo
Sen. Pat Woods

Absent

Sen. Cindy Nava, Co-Chair
Rep. Cathrynn N. Brown
Sen. James G. Townsend

Advisory Members

Rep. Dayan Hochman-Vigil (8/3)
Sen. Linda M. López (8/3)

Rep. Meredith A. Dixon
Sen. Shannon D. Pinto
Rep. Reena Szczepanski

Guest Legislators

Rep. Micaela Lara Cadena (8/3)
Sen. Roberto "Bobby" J. Gonzales (8/3)
Rep. Marian Matthews

(Attendance dates are noted for those members not present for the entire meeting.)

Staff

Clinton Turner, Fiscal Policy Analyst, Legislative Council Service (LCS)
Nicole Waguespack, Researcher, LCS
Alyssa Reyes, Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the subcommittee meeting, which can be found at www.nmlegis.gov, under the "Webcast" tab. The presentations made and subcommittee discussions for agenda items can be found on the recorded webcast for this meeting.

Monday, August 3

Welcome and Introductions (9:08 a.m.)

Representative Lundstrom welcomed everyone, and members of the subcommittee introduced themselves.

Taos Ski Valley Welcoming Remarks (9:19 a.m.)

Chris Stagg, councilor and former mayor, Village of Taos Ski Valley, welcomed the subcommittee to the community and noted that funding for infrastructure and air service projects has been critical for Taos Ski Valley development and improvements. Mr. Stagg reviewed ongoing projects related to mountain improvements, snowmaking, the construction of a new hotel and investments made in staff housing. The presentation highlighted the involvement of the Village of Taos Ski Valley and its employees in the broader community, noting that more than \$600,000 has been spent on community projects, and opportunities to visit and ski have been provided to more than 1,400 children. He also said that staff regularly volunteer for a variety of community organizations.

Overview and Outlook of Federal Impacts on Taos County (9:32 a.m.)

Brent Jaramillo, county manager, Taos County, provided an overview of Payments in Lieu of Taxes (PILT) funds for the county. Noting that approximately 40 percent of county lands are managed by the United States Forest Service and 17 percent are administered by the United States Bureau of Land Management, Mr. Jaramillo said that Taos County received \$2.6 million in PILT funding for fiscal year 2026, accounting for 11 percent of the county's general funds. Mr. Jaramillo reviewed the general budget for Taos County and discussed the positive work between the county and the United States Forest Service through the Good Neighbor Authority program. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/3/2026&ItemNumber=2>.

State and Federal Fiscal Overview and Outlook (10:11 a.m.)

Scott Pattison, Esq., director of research and tax policy, Federation of Tax Administrators, opened by discussing the contributing factors to fiscal uncertainty faced by state governments due to global economic conditions and federal funding trends. A snapshot of the United States

economy based on current inflation, stock market trends, labor market indicators, energy prices and tariffs was presented. Mr. Pattison reviewed how state economies differ from the federal and global economies, emphasizing unemployment rates, demographics and private debt levels. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/3/2026&ItemNumber=3>.

Federal Impacts and Trends on State Taxation (11:19 a.m.) Helen Hecht, uniformity counsel, Multistate Tax Commission, and Richard Anklam, president and executive director, New Mexico Tax Research Institute, summarized the major sources of direct and indirect tax revenues at the federal and state level and the interplay between them. The presenters provided details on the history and evolution of business and income taxes and discussed recent federal and international shifts in tax policy, with additional focus on taxation trends identified by the Multistate Tax Commission. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/3/2026&ItemNumber=4>.

Recent Legislative Tax Changes and Enhancing Affordability Through Targeted Tax Relief (1:31 p.m.)

Stephanie Schardin Clarke, secretary, Taxation and Revenue Department, and Donnita "Dee" Wald, chief legal counsel and acting director of tax policy, Taxation and Revenue Department, reviewed tax changes resulting from legislation passed during the 2026 legislative session. The issue of affordability through sound fiscal policies and targeted tax relief was addressed as it relates to reducing poverty, enhancing state insulation from revenue volatility and maintaining affordable health care. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/3/2026&ItemNumber=5>.

Federal Tax Reform, State Conformity and Decoupling (2:45 p.m.)

Marilyn Wethekam, of counsel, Council On State Taxation, detailed the implications of the passage of the 2025 federal budget reconciliation bill. The question of whether states should conform their taxes to or decouple their taxes from the federal legislation was discussed, and how various states have strategically responded to federal tax changes was summarized. Information on state level differences in interest expense limitations, bonus depreciation changes, factory expensing, research and experimental expenditures and foreign income taxation were provided, and the challenges and advantages of different strategies were discussed. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/3/2026&ItemNumber=6>.

Update on Local Government Impact of Federal Actions (3:16 p.m.)

Joy Esparsen, executive director, New Mexico Association of Counties, provided a breakdown of federal land revenues for New Mexico counties. Data on PILT, forest reserve payments from the United States Department of the Interior and funding from the federal Secure Rural Schools and Community Self-Determination Act and the federal Taylor Grazing Act were provided for each participating county. Variation in county revenues from gross receipts and property taxes were discussed, highlighting the variation between regions and counties. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/3/2026&ItemNumber=7>.

Approval of Minutes (3:45 p.m.)

Upon a motion duly made and seconded, and without any objections, the subcommittee approved the minutes of the June 29-30, 2026 meeting.

Review of State-Federal Litigation (3:46 p.m.)

Anjana Samant, deputy counsel for impact litigation, Department of Justice (NMDNJ), discussed ongoing litigation between the federal government and the state. In response to federal funding cuts by the United States Department of Health and Human Services, New Mexico and 20 additional states sued the federal government and recently received a preliminary injunction. Currently, the NMDNJ has initiated or joined litigation related to funding and policy changes concerning the Federal Emergency Management Agency, mental health initiatives for schools, compliance with immigration enforcement, Department of Transportation funding and various additional federal granting agencies.

Recess

The meeting recessed at 4:23 p.m.

Tuesday, August 4**Reconvene**

The meeting reconvened at 8:35 a.m.

Federal Agricultural Policy and Funding Update (8:38 a.m.)

Jeff Witte, director and secretary, New Mexico Department of Agriculture, presented a review of the fiscal structure and history of federal agricultural policies. Secretary Witte then discussed international partnerships and economic opportunities for New Mexico agricultural products and provided a strategic economic outlook for agriculture in the state. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/3/2026&ItemNumber=9>.

Welcoming Remarks and Developments in Pueblo of Taos (9:54 a.m.)

Mike Martinez, governor, Pueblo of Taos, and Cameron Martinez, tribal secretary, Pueblo of Taos, provided a historical overview of the federal and pueblo government relationship. Governor Martinez emphasized the importance of the tribal consultation process for land and natural resources and provided background for broadband connectivity issues at the pueblo. Current pueblo projects include a collaboration with the Office of Broadband Access and Expansion and the construction of a new hotel and heritage center, an elder care facility and a wildland fire command center. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/3/2026&ItemNumber=10>.

Update on New World Screwworm (10:25 a.m.)

Samantha Holeck, D.V.M., state veterinarian, New Mexico Livestock Board, provided an update on the presence of *Cochliomyia hominivorax* (New World screwworm) in New Mexico and Texas. To date, only one case has been confirmed in New Mexico, with eight active and 43 total cases in Texas. Dr. Holeck reviewed screwworm cases in Mexico, discussed state- and federal-level coordination to prevent its spread and provided details on New Mexico's ongoing response, surveillance and monitoring of the pest. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/3/2026&ItemNumber=11>.

Adjournment

There being no further business before the subcommittee, the meeting adjourned at 11:03 a.m.

**MINUTES
of the
FOURTH MEETING
of the
FEDERAL FUNDING STABILIZATION AND AFFORDABILITY
SUBCOMMITTEE**

**August 18-19, 2026
McKinley County Courthouse
207 West Hill Avenue
Gallup**

The fourth meeting of the Federal Funding Stabilization and Affordability Subcommittee, held jointly with the Legislative Health and Human Services Committee (LHHS), was called to order by Representative Elizabeth "Liz" Thomson, chair, LHHS, on Tuesday, August 18, 2026, at 10:02 a.m. at the McKinley County Courthouse in Gallup.

Present

Rep. Patricia A. Lundstrom, Co-Chair
Sen. Cindy Nava, Co-Chair
Rep. Mark Duncan
Rep. Raymundo Lara
Sen. George K. Muñoz
Sen. Linda M. Trujillo
Sen. Pat Woods

Absent

Rep. Cathrynn N. Brown
Sen. James G. Townsend

Advisory Members

Sen. Shannon D. Pinto

Rep. Meredith A. Dixon
Rep. Dayan Hochman-Vigil
Sen. Linda M. López
Rep. Reena Szczepanski

Guest Legislators

Rep. Michelle Paulene Abeyta

Staff

Nicole Waguespack, Researcher, Legislative Council Service

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the subcommittee meeting, which can be found at www.nmlegis.gov, under the "Webcast" tab. The presentations made and subcommittee discussions for agenda items can be found on the recorded webcast for this meeting.

Tuesday, August 18 — Joint Meeting with the LHHS

Welcome and Introductions (10:02 a.m.)

Representative Thomson welcomed everyone to the meeting. Committee members and subcommittee members introduced themselves.

Government Results and Opportunity Fund Evaluation Process (10:11 a.m.)

Sarah Dinces, program evaluator III, Legislative Finance Committee (LFC), and Simon Miller, performance analyst, Department of Finance and Administration (DFA), provided an update on the implementation of evaluations to be conducted by the LFC and DFA of certain state agency programs funded by the Government Results and Opportunity Program Fund (GRO) pursuant to House Bill 158 (2026). They explained evaluation criteria and considerations for state agencies administering programs that will be evaluated. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/18/2026&ItemNumber=1>.

Temporary Assistance for Needy Families (TANF) Workforce Outcomes (11:14 a.m.)

Allegra Hernandez, senior fiscal analyst, LFC, and Lily Earnest, intern, LFC, provided a presentation about workforce outcomes of recipients of TANF funding in New Mexico. They reviewed the state's spending on the TANF program and participation rates and work requirements of TANF funding recipients. They highlighted challenges faced by participants leaving the TANF program, such as finding sustainable employment. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/18/2026&ItemNumber=2>.

Public Comment (12:26 p.m.)

A list of individuals making public comment is available in the meeting file.

Status Update on the LFC Progress Report for the New Mexico Health Exchange (BeWell New Mexico) (1:50 p.m.)

Elizabeth Dodson, program evaluator, LFC, and Danielle Ceballes, program evaluator, LFC, discussed an LFC progress report on the New Mexico health insurance exchange that showcases trends in exchange premiums, exchange subsidies and exchange enrollment. The report indicates that since state subsidy assistance has increased, purchasing insurance through the exchange has become more

affordable. Report recommendations include expanding cost containment measures to maintain long-term Health Care Affordability Fund sustainability. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/18/2026&ItemNumber=3>.

Approval of Minutes (2:31 p.m.)

Upon a motion made, and without any objections, the subcommittee approved the minutes of the August 3-4, 2026 meeting.

Recess

The meeting recessed at 2:33 p.m.

Wednesday, August 19 — Joint Meeting with the LHHS

Reconvene

The meeting reconvened at 9:32 a.m.

Health Care Authority (HCA) Updates on the 2025 Federal Budget Reconciliation Bill, the Health Care Affordability Fund and the Rural Health Transition (9:33 a.m.)

Alanna Dancis, acting Medicaid director, HCA, and DeAnna Stock, director, Health Care Innovations, HCA, provided an update on the upcoming effects of the 2025 federal budget reconciliation bill on the state's Medicaid program, including stricter eligibility requirements, decreases in provider payments and the phasedown of state-directed payments. They discussed the HCA's plans for trying to keep coverage affordable and reviewed the time line of the rural health transformation program. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=LHHS&Date=8/18/2026&ItemNumber=4>.

Food Insecurity Update (10:58 a.m.)

RubyAnn Esquibel, principal analyst, LFC, discussed state funding on food security initiatives, including GRO funding for food banks, and the growth of food insecurity in the state. Jill Dixon, executive director, The Food Depot, and Katy Anderson, vice president of strategy, partnerships and advocacy, Roadrunner Food Bank, described the expansion of food pantries' and food banks' roles in deterring food insecurity and nutrition insecurity amid federal cuts to the federal Supplemental Nutrition Assistance Program and the rising cost of living. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=LHHS&Date=8/18/2026&ItemNumber=5>.

Revenue Maximization Opportunities for New Mexico (1:00 p.m.)

Alissa Narode, associate manager, Public Consulting Group, and Matt Reidy, senior project manager, Public Consulting Group, offered potential strategies for the state to mitigate financial effects of decreases in federal funding to the state resulting from the 2025 federal budget reconciliation bill. They noted strategies for expanding federal grants, protecting Medicaid coverage and supporting health care providers. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=LHHS&Date=8/18/2026&ItemNumber=6><https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=8/18/2026&ItemNumber=6>.

2030 Census: Opportunities and Impacts (1:30 p.m.)

Robert Rhatigan, director, Geospatial and Population Studies Center, University of New Mexico (UNM), explained how the state could prepare for the 2030 census since New Mexico has the highest rate of hard-to-count populations in the country. He provided information about the United States Census Bureau's Local Update of Census Addresses program, which helps to develop the list of addresses for the census, highlighting the program's role in increasing census participation of residents of tribal lands and rural areas. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=LHHS&Date=8/18/2026&ItemNumber=7>.

Public Comment (2:24 p.m.)

A list of individuals making public comment is available in the meeting file.

Adjournment

There being no further business before the subcommittee, the meeting adjourned at 2:40 p.m.