



New Mexico Federal Funding Stabilization & Affordability Subcommittee

Presentation by the National Conference of State Legislatures

Oct. 7, 2026





Agenda

Data Centers

Federal Budget

Education

Medicaid & ACA Marketplaces

RHTP

SNAP

NCSL is committed to the success of all legislators and staff.

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- Advance the effectiveness, independence and integrity of legislatures.
- Foster interstate cooperation and facilitate the exchange of information among legislatures.
- Ensure state legislatures a strong, cohesive voice in the federal system.
- Foster bipartisanship and promote cooperation within and between state legislatures.



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Meetings

Facilitates information exchange and policy discussions

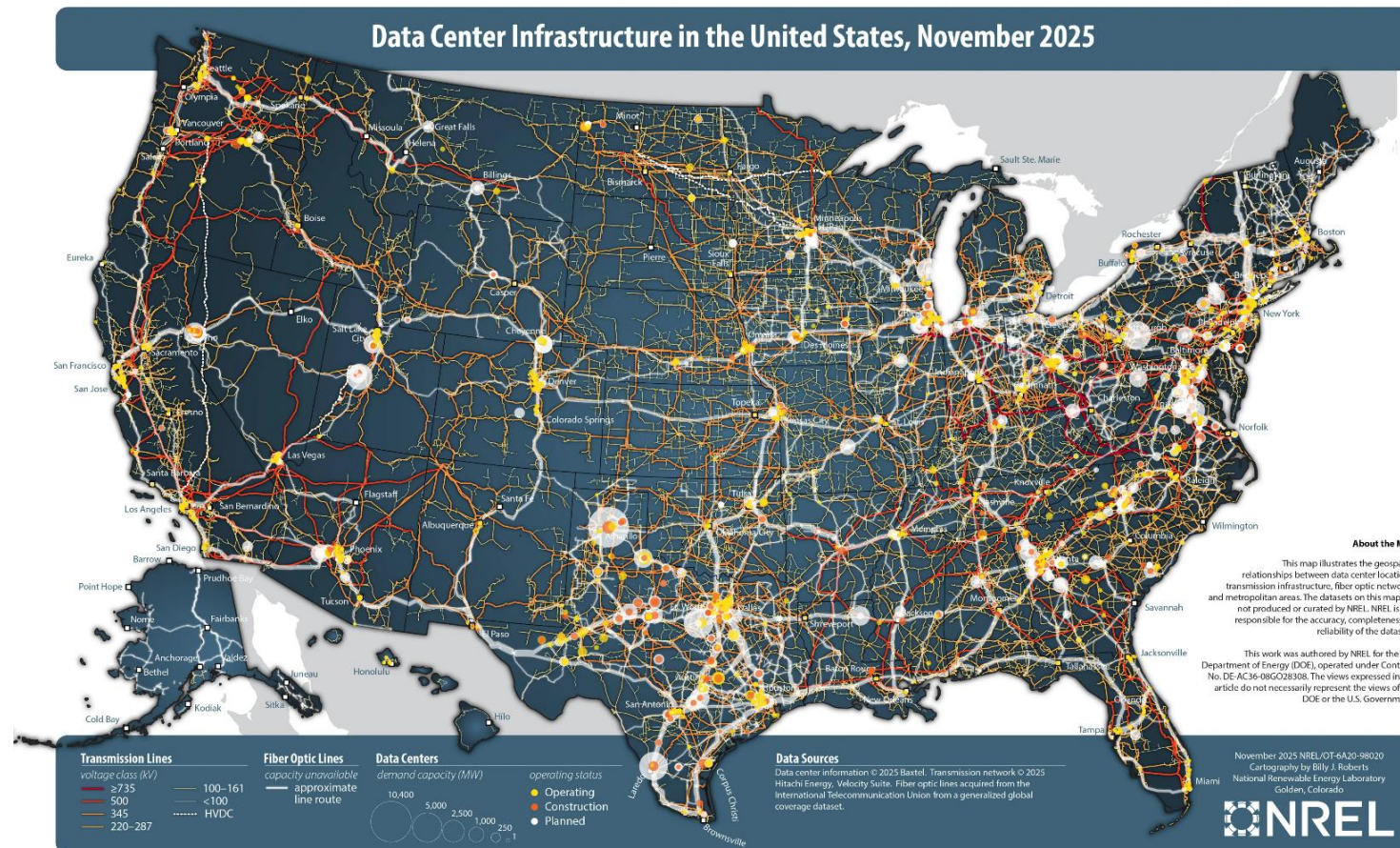
Data Centers

*State trends and federal
legislation*



Data Centers and Energy Demand

Data Centers could make up over 9% of national electricity consumption by 2030

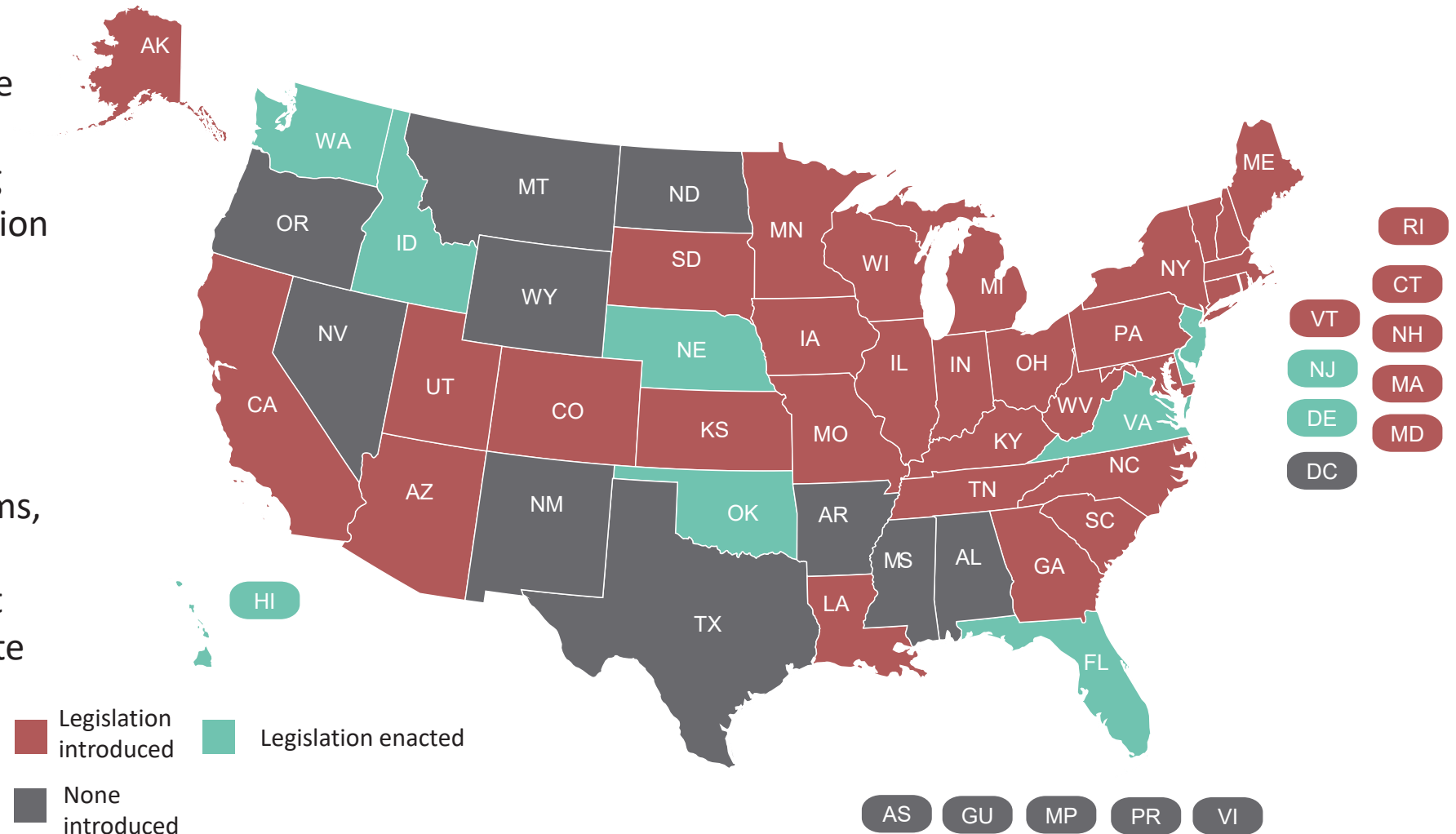


Source: [National Lab of the Rockies](#)

States are Taking Action

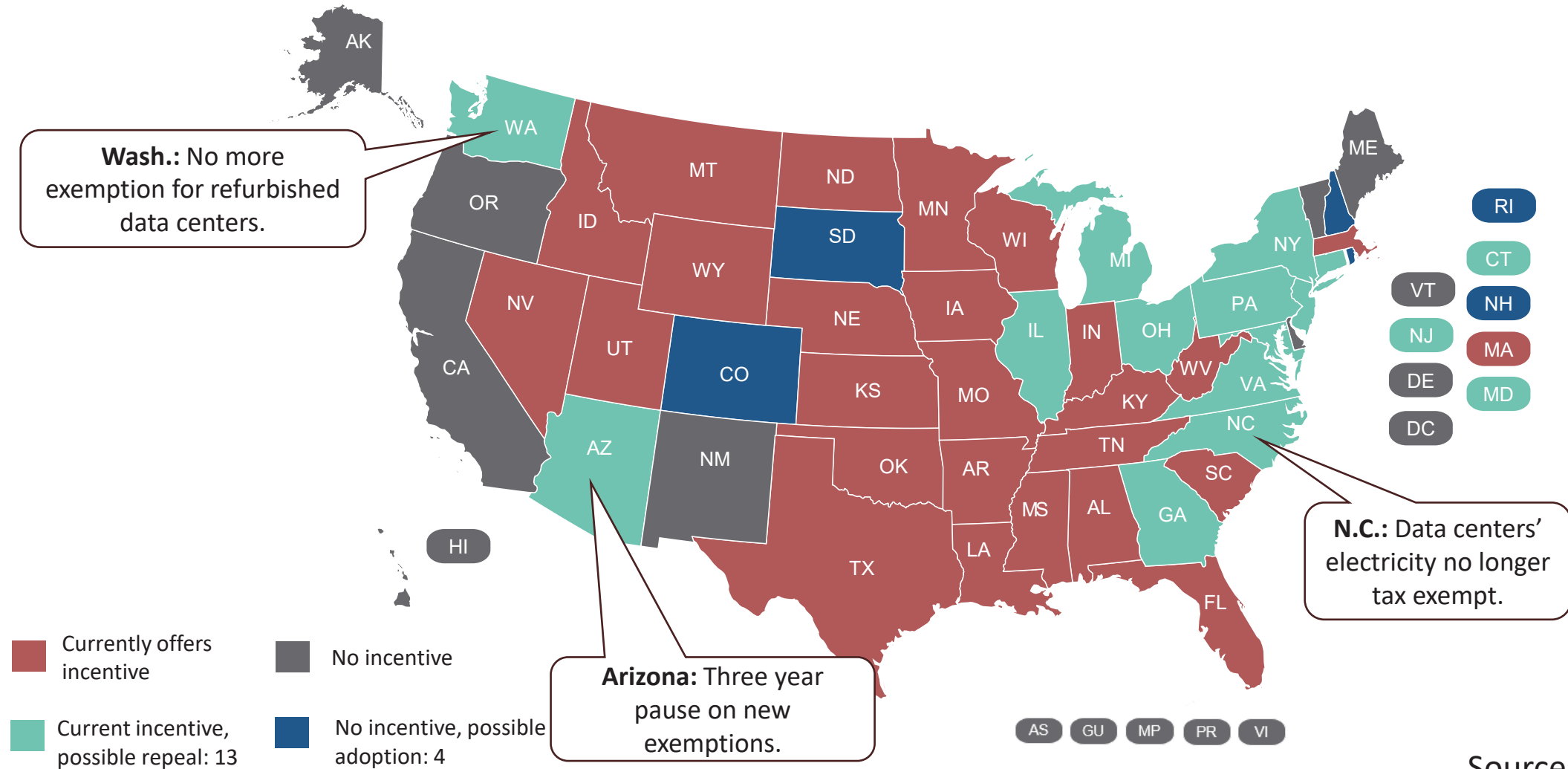
State Legislation Concerning the Energy Usage of Data Centers in 2026

- So far in 2026, states have considered more than 150 pieces of legislation addressing the energy consumption of data centers
- State strategies to address consumption include demand management programs, energy reporting requirements, impact studies, and utility rate regulation



State Incentives for Data Centers: 2026 Actions

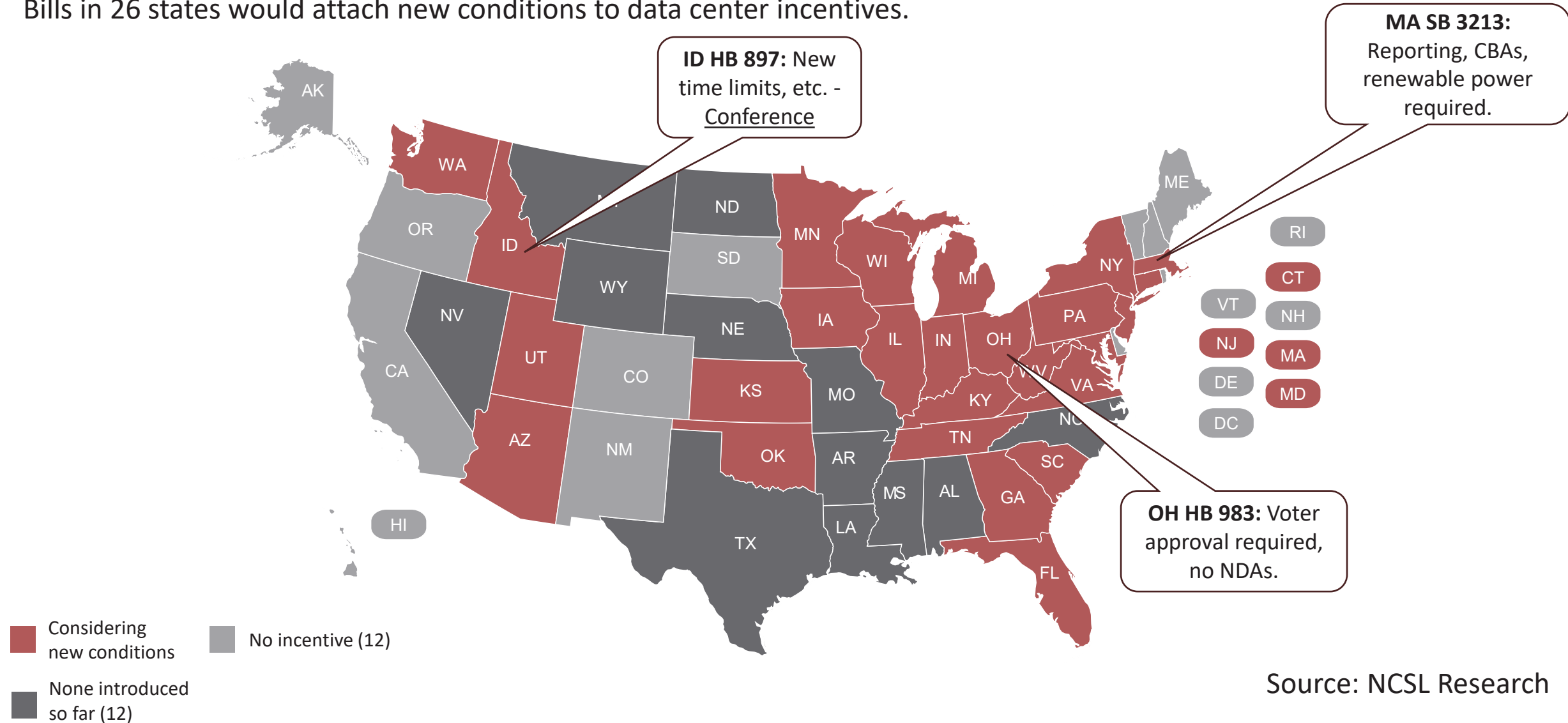
States currently offering dedicated data center incentives, and introduced legislative changes



Source: NCSL Research

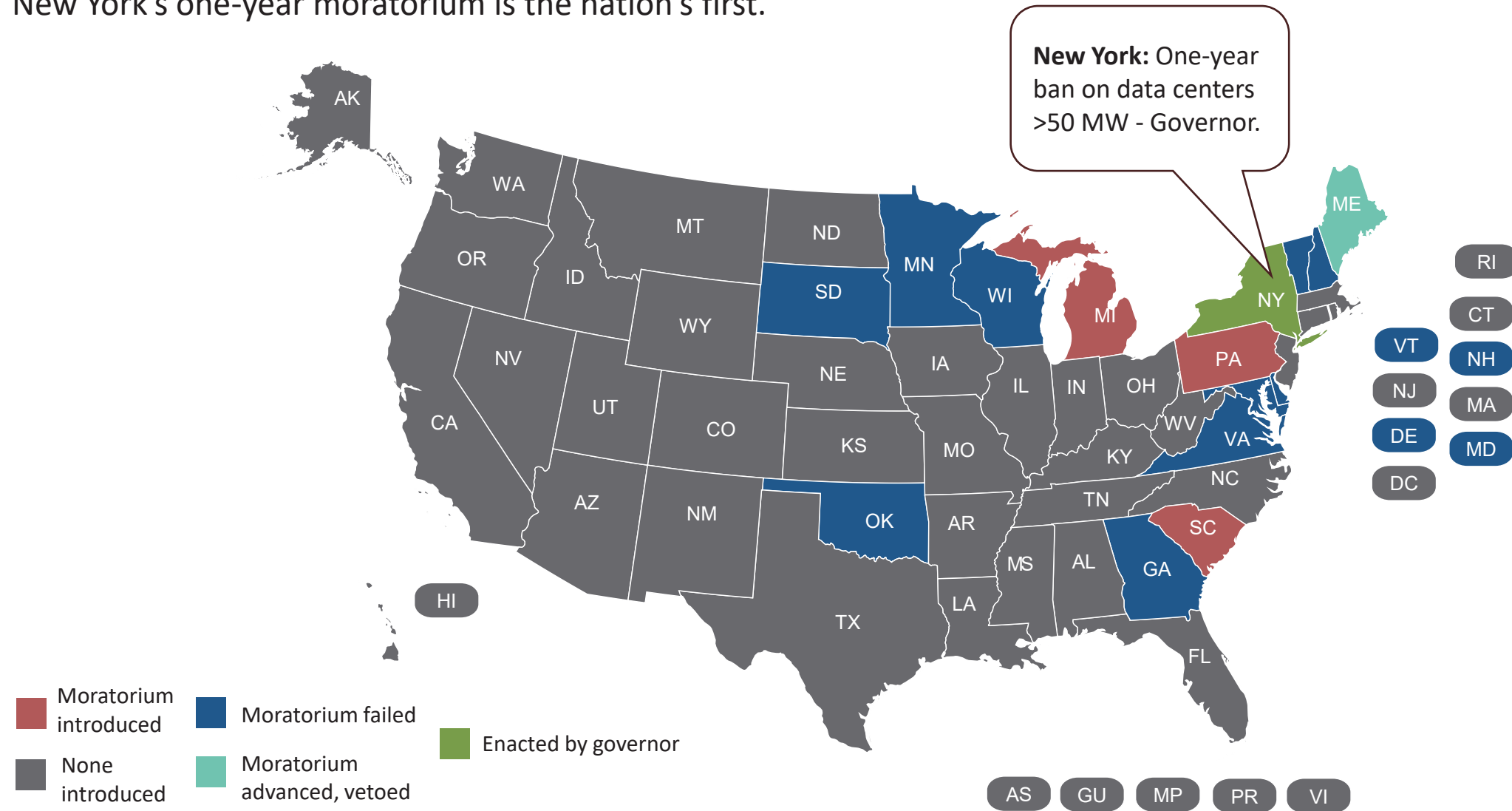
States Considering Significant New Data Center Requirements

Bills in 26 states would attach new conditions to data center incentives.



Legislative Action on Data Center Moratoriums

New York's one-year moratorium is the nation's first.



Source: NCSL research

Ratepayer Protection Act

- **Amends Section 111(d) of the Public Utility Regulatory Policies Act of 1978**
- **Upgrade cost recoveries**
 - Utilities can design rates to recover full, incremental costs of generation, transmission or distribution upgrades necessary to serve large customers
 - Can take effect even if a contract is terminated
- **Financial assurances**
 - Can require large-load customers to provide financial assurances to cover those costs
- **Consideration timelines**
 - Hearings for considerations no later than one year after enactment
 - Decisions no later than two years
 - Exemptions exist
- **Large load definition**
 - Peak demand of 100 megawatts
- **Passed House**
 - Rejected by Senate



Bipartisan American Affordability and Jobs Act



- **Senate permitting bill released 9/30 by chairs of Environment & Public Works and Energy & Natural Resources Committees**
- **Seeks to streamline permitting and environmental review processes, provide project certainty, produce more cost-effective energy, and more**
 - Expand federal authority over interstate transmission infrastructure projects
 - Two-year deadline on Environmental Impact Statement reviews and a one-year deadline for Environmental Assessment reviews
 - Allow states to handle endangered species consultations
 - Limit state certifications under the Clean Water Act
 - Prohibit any administration from delaying, blocking or rescinding issued project permits
 - Set a 150-day deadline for legal challenge limits
- **Data Centers**
 - Load owners and operators should incur full costs of required transmission services
 - No portion of incremental costs can be recovered from customers other than covered loads
 - Cost recoveries shall continue even if agreements are terminated
 - Covered loads are equal to or exceeding 20 megawatts

Federal Budget

*FY2027 Funding Update, Federal
Grantmaking Changes*



Federal Budget for FY2027

- 
- **FY2027 Funding:** Federal Fiscal Year 2027 started on Oct. 1, 2026
 - Continuing resolution funds government through Dec. 11
 - House has passed 3 of 12 appropriations bills, Senate has passed none
 - **Office of Management and Budget's (OMB)'s "Regulation for Federal Financial Assistance"**
 - Conversion of guidance into regulation: cross-agency consistency
 - Expanded federal oversight and accountability
 - Changes to award review and approval processes
 - Emphasis on legal compliance and nondiscrimination requirements
 - Broader authority to terminate or modify awards
 - Revisions to allowable costs and award administration
 - **Congress delayed implementation until at least Dec. 11, agencies implementing their own versions of rule**

Education

Ongoing Changes to Federal Grantmaking



Elementary and Secondary Education Funding

Formula grant administrative transitions, new federal funding stream



- **Federal Formula Grants for Education (Title I, IDEA, etc.)**
 - ED transferring grants management to Department of Labor (ESEA programs) and Department of Health and Human Services (IDEA)
 - FY2026 funds dispersed on Oct. 1 through ED's grant system
 - Perkins CTE funds moved to DOL in 2026
 - "Defend the Spend" justifications required for all education grant reimbursements starting Nov. 1
- **Scholarship Tax Credit: Starts Jan. 1, 2027**
 - States opt-in to allow up to \$1700 tax credits per individual for donations to scholarship granting organizations (SGOs)
 - Interim Final Rule announced on Oct. 1, opportunity for comment
 - Clarifies operational requirements for states and SGOs
 - States cannot place additional requirements on SGOs
 - SGOs determine student eligibility/scholarship uses, incl. at public schools
 - Separate guidance on qualifying expenses forthcoming for school contexts

Higher Education Funding

Administrative priorities shaping postsecondary fiscal landscape

- **Pell Shortfall:** Short and long-term funding gaps (130b+/10 yrs) expected
- **Federal Research Funding in Flux**
 - Slow pace of awards: NIH on pace, NSF behind by 23% (can carryover)
 - Grant cancellations: Significant cancellations in 2025
- **One Big Beautiful Bill Act**
 - Graduate and Parent Plus loan limits + prorated amounts for part-time
 - STATS regulation conditions loan access on graduate earnings measures
- **Fund reprogramming for Minority Serving Institutions (MSI) Grant**
 - Sept. 2026: \$174m to HBCUs, \$61m to tribal colleges
 - Sept. 2025: \$495m to HBCUs, tribal colleges
- **DOJ sues 24 states in-state tuition for undocumented students**
 - IL, KS, KY, NE, OK, TX ended policies, MN case dismissed, NM pending

Medicaid, Marketplaces & Rural Health

Latest implementation & regulatory developments



New Mexico Medicaid- OB3 impacts

- Projected net change in total federal & state Medicaid funds through 2034
 - **-9.56%/\$9.83B**
- Projected net change in state-only funds through 2034
 - **+0.98%/\$1.01B**
- Projected Medicaid enrollment change in 2034
 - **-140,800**
- Impacted managed care provider tax
 - **MCO tax above 3.51% of net patient revenue that will be reduced by 0.5% annually starting in 2032 down to the new upper taxation threshold of 3.5% (*but new CMS proposed rule!*)**
- State Directed Payments
 - **NM has directed payment arrangement(s) that are above the new upper payment limit of 100% of Medicare and will be reduced by 10% annually starting in 2028 until the new limit is reached**



Medicaid Eligibility- *the 2027 Compliance Clock*



- **Work requirements by Jan. 1, 2027-** not optional nor waivable.
 - 🚩 CMS interim final [rule](#) on community engagement ties exemptions to an ability-to-work standard rather than diagnosis- *June 2026*
 - 🚩 Newly released [guidance](#)- permits tier system for medical frailty
- **Six-month redeterminations-** renewal frequency doubles for expansion adults.
 - CMS guidance [letter](#) to state Medicaid directors- *March 2026*
 - 🚩 If states are unable to maximize automated renewals & other streamlined processes, it could lead to varying amounts of administrative burden & coverage churn
- **Coverage impacts**
 - CBO projects 7.8 million more uninsured by 2034 making state implementation decisions & readiness increasingly important

** SNAP changes happening simultaneously*

Medicaid Financing



- **State-directed payments-** the commercial-rate ceiling gives way to Medicare-based caps, with grandfathered programs phasing down from 2028.



CMS issued [guidance](#) in Feb. 2026 and a proposed [rule](#) in May 2026

- **Payment integrity-** tighter error and documentation rules land in 2029 but states are making implementation decisions now that could impact future federal recoupments



Additional federal guidance?

- **Provider taxes-** new taxes prohibited; existing taxes are frozen and expansion states step down toward 3.5% beginning FY2027. Proposed [rule](#) issue July 2026.



Health insurer taxes- subject to OB3?
proposed [rule](#) July 2026; [NCSL comments](#)



Expands definition (CMS [guidance](#) from Nov. 2025) of “existing tax” per OB3’s prohibition on new taxes/increases in existing taxes

Rural Health Transformation- *putting \$50 Billion to Work*

From application to implementation

NM RHTP Award
\$211.5M (Year 1)



- **Awards are made-** all 50 states were funded in December 2025-- \$147 million to \$281 million range
 - **Five-year clock-** \$10 billion annually through FY2030, half split evenly and half at CMS discretion,
 - **Guidance-** [Capital Expenditures](#), [Provider Payments](#), [5-Year Service Commitment](#), [Rural Tech Catalyst Fund](#); [Category E: Clinical Workforce](#)
-
- 🚩 Federal reporting uncertainty: tight timelines, challenges of downstream reporting from subrecipients, definition of “obligated”
 - 🚩 Workforce shortages & sustainability after 2030
 - 🚩 Occurring alongside estimated \$137B in projected federal reductions impacting rural communities

Coverage, Affordability & Federal Shifts

****New Mexico is only state to fully backfill loss of EPTCs****



- **Marketplace affordability-** enhanced premium tax credits expired, increasing consumer premium costs and reduced enrollment.
- **Medicaid to Marketplace transitions-** are people losing Medicaid eligibility transitioning to marketplace coverage?
- **State policy options remain:** Basic Health Programs, public option approaches & other affordability strategies continue to attract state interest.
- **Federal support is changing-** agency restructuring & funding pressures may alter how states, provider & public health agencies absorb costs & responsibilities.

SNAP

Farm Bill, litigation & regulatory developments



SNAP Changes in 2025 Budget Reconciliation Bill

\$287 Billion in Federal Spending Reductions Over 10 Years (CBO)

- **Expanded work requirements effective July 2025.**

- Age limit increase.
- Removes exemptions for certain categories.
- Narrows waiver criteria.

- **New eligibility restrictions for legally present immigrants effective July 2025.**

- **“Insufficient jobs” waiver repealed effective July 2025.**

- **Administrative cost share increase from 50% to 75% effective FY 27.**



Estimated average \$67 million per state/per year.

- **Benefit cost share based on states payment error rates effective FY 28.**



Estimated average \$218 million per state in first year based on 2024 data; some states over \$1 billion.

- < 6% = no cost share.
- 6-8% = 5% cost share.
- 8-10% = 10% cost share.
- > 10% = 15% cost share.
- FY 28 based on FY 25 or FY 26 payment error rate; FY 29 and beyond will be based on 3 years prior.
- States with payment error rates of 13.3% or higher, cost share delayed until 2030.
- 36 states would face a cost share based on 2025 data.

Additional Resources:

- [State SNAP PERs](#)
- [State Administrative & Benefit Costs](#)
- [NCSL SNAP Navigator](#)

New Mexico's SNAPshot



- **New Mexico's FY 2025 payment error rate = 16.81%** (*15% cost tier*)
- **Qualify for delay per OBBBA until 2029**
- **Based on FY 25 rates- would owe: ~\$150M**
- **Administrative cost increase: \$23,551M** (*total \$70,652M*)
- **Enrollment Decline: -5.19%** ([*CBPP SNAP tracker*](#))
 - *July 2025: 459,108*
 - *July 2026: 435,290*

SNAP Policy & Legal Timeline

2025-2026

Lots of uncertainty for states!

2025

July 4 | HR 1 enacted significant changes to SNAP in effect immediately.

Oct. 3 | USDA guidance on work requirements and 30-day clock on existing insufficient jobs waiver.

Oct. 24 | USDA announced no SNAP funding for states in November.

Oct. 28 | USDA announced no contingency funds to pay partial benefits.

Oct. 31 | USDA released additional guidance on noncitizen eligibility changes.

Nov. 1 | Two court cases issue orders: USDA must tap contingency funds.

Nov. 3 | USDA will only release contingency funds for partial payment.

Nov. 4 | USDA releases guidance to states to issue partial (50%) SNAP benefits.

Nov. 5 | USDA releases guidance to states to issue partial (65%) SNAP benefits.

Nov. 6 | Judge rules USDA must fund full SNAP benefits.

Nov. 7 | Many states began issuing full benefits.

Nov. 8 | USDA tells states to “undo” work to provide full SNAP benefits.

Nov. 9 | Court denies administration request to halt order requiring provision of full SNAP benefits.

Nov. 10 | Court temporarily blocks USDA from carrying out directive to states to “undo” full benefits.

Nov. 10 | Senate passes continuing resolution and minibus. Government reopens.

Nov. 26 | 22 states file suit challenging legality of USDA’s initial guidance on noncitizen eligibility.

Dec. 9 | USDA release updated guidance on noncitizens: status change to lawful permanent resident eligible for SNAP.

2026

April 4 | USDA guidance to states included in injunction.

June 11 | USDA guidance to states on SNAP benefit time limit provisions

Sept. 17 | Judge rules USDA must issue new 120-day hold harmless period

Where Might We Be Headed?



USDA Regulatory Timeline

- Proposed SNAP cost shift implementation rule expected Dec. 2026.
- Small window for states to incorporate guidance into FY 28 budgeting.
- New court ruling
 - Updated guidance pending



Farm Bill Proposal

- House bill passed with no delay
- Senate bill passed with 1- yr delay to FY29
 - based on FY26 or 27
 - States above 10% beginning FY31 would pay 20% cost shift



Proposals to Eliminate Tolerance Threshold

- Excludes minor errors from payment error rate.
- Reduces administrative burden.
- Quality control errors must still be reported.
- \$58

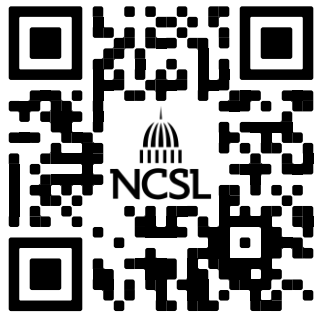


Proposals to Eliminate Broad Based Categorical Eligibility

- Policy option for states to qualify households for SNAP if they qualify for a non-cash TANF or state MOE benefit.
- Used by [46 states](#)
- Proposed rule to eliminate?
- [CBO score](#): Six million people (1.8 million kids) could lose coverage and reduced access to school meals and WIC.

Trust the States' Voice in D.C.

We advocate on behalf of states in the federal government.



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Reach out any time!

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