

Navigating Fiscal Uncertainty

Federal Funding Stabilization and Affordability Subcommittee

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Navigating Federal Funds Uncertainty

From uncertainty to action

- Identify federal funding risks
- Estimate potential budget effects
- Assess whether the state is prepared
- Act before a problem becomes a crisis

Fiscal tools and budget readiness

Analytical tools—long-term budget assessments and stress tests – can help states regularly measure risks, anticipate potential shortfalls, and identify ways to address impending challenges

- Long-term budget assessments project revenue and spending several years into the future to show whether and why states may face chronic budget deficits
- Stress tests estimate the size of temporary budget shortfalls that would result from recession or other economic events and gauge whether states are prepared for these events
- New Mexico has produced both, and has used the 2022 long-term assessment as the impetus to direct funding towards endowments and trust funds designed to provide ongoing revenue to help close a revenue gap

Understand your fiscal exposure

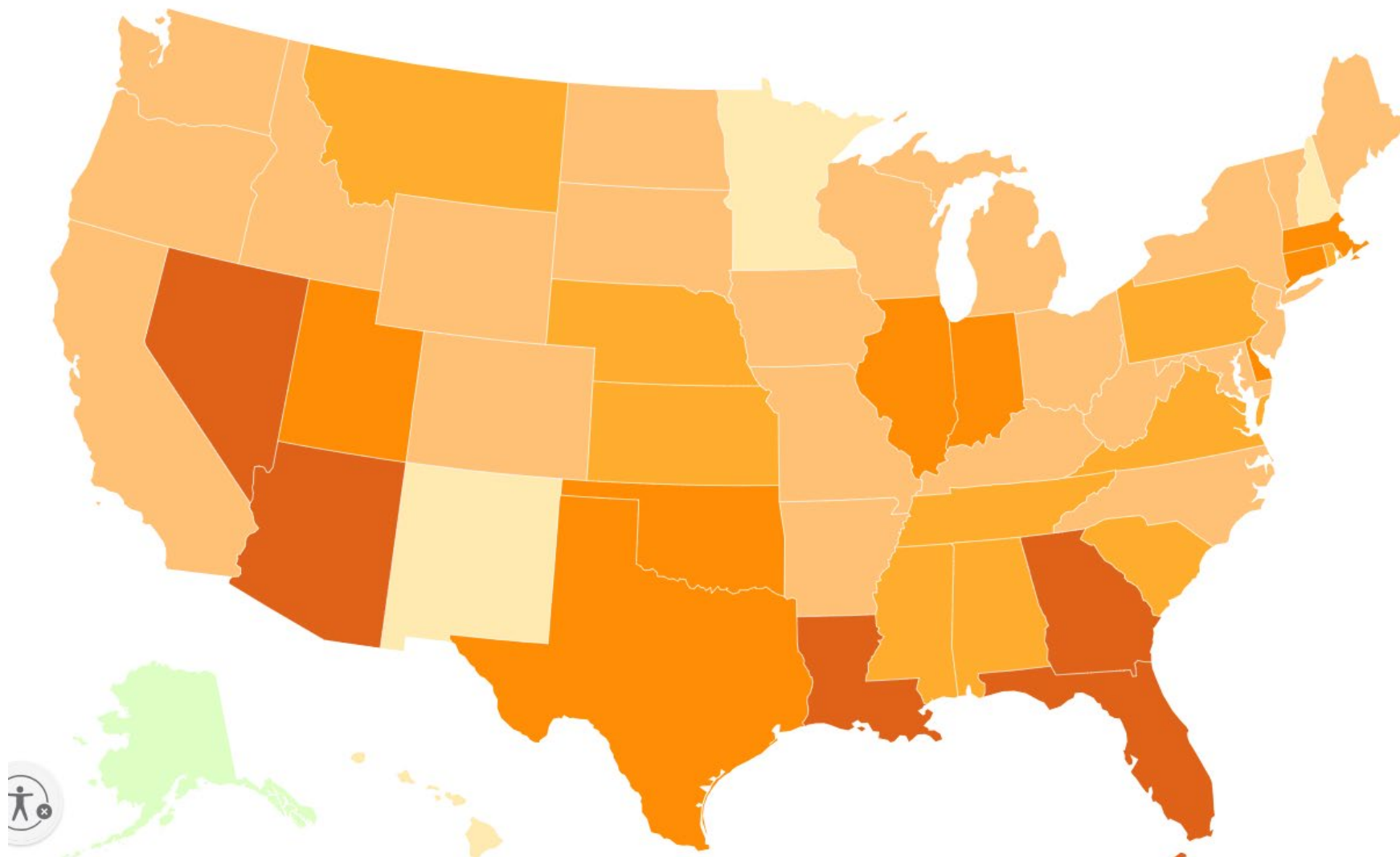
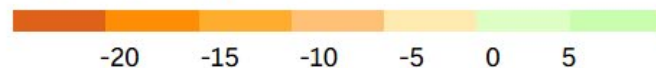
- States are better positioned to manage uncertainty where they have clear information about the sources and uses of federal funds
- A comprehensive federal funds dashboard can:
 - Provide transparency into revenue the state brings in
 - Identify sources and uses of federal funds, including whether those are one-time or ongoing
 - Break down funding to where it goes
- Montana is developing a comprehensive dashboard capturing the flow of all federal dollars into the state

Investing to implement new rules and reduce future costs

<u>State</u>	<u>Investment or action</u>
Rhode Island	Cross-agency error-reduction strategy
Washington	Quality-control staff and technology
North Carolina	Case management, screening tools, and operational improvements
Florida	\$4 million for vendor assistance in error rate reduction
Arizona	\$31.8 million for administrative costs and \$10.8 million for eligibility and error-rate work

Change in number of people claiming SNAP benefits, May 2025 – May 2026

% yearly change in SNAP claimants



Source: USDA





SNAP Payment Error Rates by State, FY2022-25

- Less than 6.00% PER (no cost shift)
- 6.00 to 7.99% PER (5% cost shift)
- 8.00 to 9.99% PER (10% cost shift)
- 10.00 to 13.32% PER (15% cost shift)
- 13.33% PER or greater (no cost shift)

Sources: The Hamilton Project, USDA Food and Nutrition Service 2026

	FY2022	FY2023	FY2024	FY2025
Alabama	●	●	●	9.52
Alaska	●	●	●	23.15
Arizona	●	●	●	10.80
Arkansas	●	●	●	8.81
California	●	●	●	10.93
Colorado	●	●	●	10.09
Connecticut	●	●	●	9.08
Delaware	●	●	●	16.00
District of Columbia	●	●	●	18.66
Florida	●	●	●	12.97
Georgia	●	●	●	15.21
Hawaii	●	●	●	10.92
Idaho	●	●	●	3.85
Illinois	●	●	●	14.67
Indiana	●	●	●	9.77
Iowa	●	●	●	5.34
Kansas	●	●	●	9.44
Kentucky	●	●	●	4.70
Louisiana	●	●	●	8.14
Maine	●	●	●	10.81
Maryland	●	●	●	13.08
Massachusetts	●	●	●	12.49
Michigan	●	●	●	9.89
Minnesota	●	●	●	12.58
Mississippi	●	●	●	9.51
Missouri	●	●	●	8.67
Montana	●	●	●	8.86
Nebraska	●	●	●	5.90
Nevada	●	●	●	6.22
New Hampshire	●	●	●	8.85
New Jersey	●	●	●	6.86
New Mexico	●	●	●	16.81
New York	●	●	●	13.18
North Carolina	●	●	●	7.36
North Dakota	●	●	●	9.89
Ohio	●	●	●	6.76
Oklahoma	●	●	●	11.04
Oregon	●	●	●	14.14
Pennsylvania	●	●	●	9.21
Rhode Island	●	●	●	12.42
South Carolina	●	●	●	8.80
South Dakota	●	●	●	2.47
Tennessee	●	●	●	9.44
Texas	●	●	●	9.34
Utah	●	●	●	5.54
Vermont	●	●	●	5.38
Virginia	●	●	●	12.32
Washington	●	●	●	6.98
West Virginia	●	●	●	6.69
Wisconsin	●	●	●	5.72
Wyoming	●	●	●	3.96



Build capacity for meeting new requirements

New Jersey's approach

\$200,000 investment to:

- Expand access to qualifying volunteer opportunities
- Help residents find eligible activities
- Create or improve online reporting tools
- Coordinate work-activity tracking across agencies

Build capacity to access and manage federal dollars

Kentucky

- GRANT Act authorized **\$200 million** for federal grant matching
- Provided grant-writing and technical assistance
- An additional **\$100 million** following reauthorization

New Mexico

- New Mexico Match Fund provided matching fund for federal grants
- It is available to state agencies, local governments, tribes and other eligible public entities. The structure included matching grants, project implementation grants and federal compliance offset grants
- Original appropriation of \$75 million in 2024; was subsequently funded with \$72 million in 2025 and \$20 million in 2026

Federal Contingency Funds

Virginia's approach to federal uncertainty

\$225 million Federal Contingency Fund

- Responds to reductions in federal funding
- Helps absorb new administrative costs and fill program gaps
- Allows agencies to request support as pressures emerge
- Uses executive review, legislative input, and approval by the secretary of finance

\$350 million Medicaid Reserve Fund

- Provides a separate buffer for potential federal Medicaid reductions
- Preserves flexibility if health care funding risks materialize



Where from here?

New Mexico already has:

- **Oversight:** A dedicated subcommittee focused on federal funding
- **Information:** Previous experience tracking major federal funding streams
- **Analysis:** Legislative and executive fiscal and program expertise
- **Capacity:** A Match Fund that helps communities pursue federal resources
- **Budget tools:** Reserve and contingency mechanisms that can respond when funding is disrupted

The opportunity: connect and expand upon these tools, as well as other approaches states are taking, to respond to current and future federal funding changes

Questions?

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