



# LFC Newsletter

A publication of the Legislative Finance Committee

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## From the Chairman Possibilities

While the United States as a whole faces a shortage of doctors, New Mexico's shortage is among the worst, with nearly every county federally designated as a shortage area. Our population is both more rural and more impoverished than the national averages, making getting to health providers and paying for healthcare more difficult. On top of this, nationally, some 27 million people are uninsured and the number is expected to get worse with implementation of the federal budget reconciliation act.

In New Mexico, the Legislature has addressed many of these problems head on: We've upped Medicaid payments to attract and keep providers, focused resources on rural healthcare, invested heavily in the University of New Mexico medical school and medical provider education, reformed medical malpractice laws, and created trust funds for Medicaid and behavioral health and a fund to subsidize healthcare for those who can't afford it.

But while New Mexico has acted decisively to improve healthcare services, progress on the national level has stalled out, with Congress acting to actually make care less accessible and an administration undermining confidence in medical science and hard-working healthcare providers. In the absence of federal leadership, we must continue to step up a state to ensure New Mexicans can get the care they need.

One bold next step we could consider is making primary care available to everyone in the state. Vastly expanding access to primary care would improve services in rural communities. Primary care provides comprehensive and preventive care that improves overall health and prevents more costly interventions later.

New Mexico should also look into an approach being used in other states that allocates a predetermined amount of state funds to hospitals based on prior Medicaid and Medicare spending, inflation, needs, and other factors. Rather than reimbursing hospitals based on specific services, "hospital global budgeting" makes spending on hospital care predictable and containable and allows states to align spending with public health goals.

Affordable, accessible healthcare is foundational to quality of life for our families and our communities. It helps children and adults to learn, grow, and succeed. New Mexico must continue to take bold action to protect and expand access to care for every New Mexican.

**Representative Nathan Small**  
Chairman

## State Gets Limited Benefit from Tax Incentives

New Mexico spent \$520 million on tax breaks for economic development in FY25, but only some of the approaches paid off and the overall impact was limited, LFC analysis shows.

In an assessment of economic development "tax expenditures" scheduled to be presented to committee members at 10:30 a.m. May 19, staff report the state's economy, as measured by the gross domestic product, grew just 1.4 percent as a result of the more than half a billion dollars committed to the 24 tax exemptions, deductions, credits, and other benefits for business and business activities.

The report finds \$176 million of the total went to tax breaks that had a negative economic return on investment—the amount spent to grow the economy was more than the economic growth that resulted.

None of the 24 tax expenditures resulted in activity that generated more tax revenue for the state than what the state lost in tax revenue providing the benefit.

Further, none of the tax breaks met all six standards considered to be best practices, with most lacking the expiration dates and spending caps that protect state revenues, the report says.

In addition, the report notes, every job created through the economic development tax breaks cost the state \$137,000 on average, compared with \$12,400 for every job created through the Job Training Incentive Program that underwrites certain new positions and the \$7,400 per job cost of the Local Economic Development Act Program that supports new and expanding business through infrastructure investment.

The economic development tax expenditure with the highest return on investment in FY25 was a tax credit for certain equipment used in new or expanding manufacturing operations. For every dollar spent, the economy grew by \$1.39. However, the state generated just 16 cents in state tax revenue from the additional economic activity for every dollar it lost to the credit.

More than half of the \$520 million committed to tax breaks for economic development went to the tax break that allows provides a gross receipts tax deduction to firms that sell intermediate consumable products to manufacturers. Although the incentive does not result in as much tax revenue as it costs, it generates a 25 percent economic return on investment for economic growth.

## State Investment Performance Strong

New Mexico's investment accounts collectively topped \$100 billion near the end of 2025, a 15 percent increase over the same time last year, data in the [quarterly performance report](#) shows.

The investment report, part of the [quarterly report cards](#) presented to the committee in May, notes the total value of the Educational Retirement Board fund, Public Employee Retirement Association fund, land grant permanent fund, severance tax permanent fund, and early childhood trust fund grew by more than \$13 billion from last year.

The total at the end of second quarter of the fiscal year in December was \$100.3 billion, with about \$38 billion of that in the land grant permanent fund.

Investment earnings for the year were strong, ranging from 12.2 percent for the educator pension fund to 13.6 percent in the early childhood fund

and better than the average for similar funds nationally. Returns last year suffered from turbulence in the investment markets. Growth in the funds has been supported by a strong oil and gas industry, which supports the permanent funds and the early childhood fund.

Both retirement funds hit their targeted return rates for the one-, three- and 10-year periods. Investment returns are needed to cover the gap between contributions and payouts, and hitting the targets improves the long-term health of the funds.

However, neither fund is fully funded for its existing liabilities. At the current targeted rates of return of 7 percent for the educator fund and 7.25 percent for the public employee fund, the educator fund is expected to pay off its liabilities by 2049, and the public employee fund is expected to pay the liabilities by 2075.

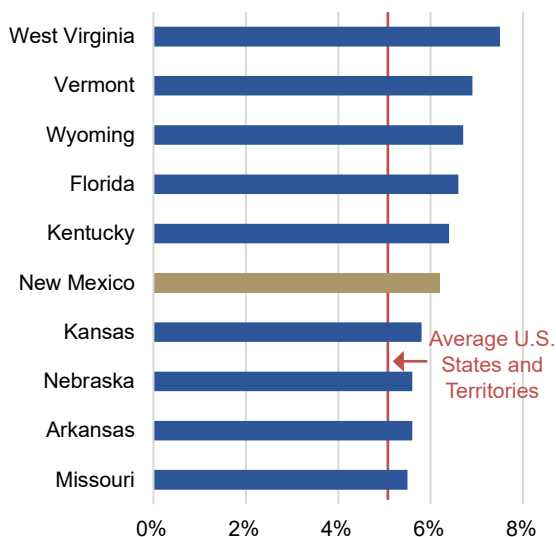
# NM in Top 10 for Growth of Insurance Premiums, Claims

New Mexico saw above average growth in both insurance premium costs and member claims between 2017 and 2024, LFC analysis of federal data shows.

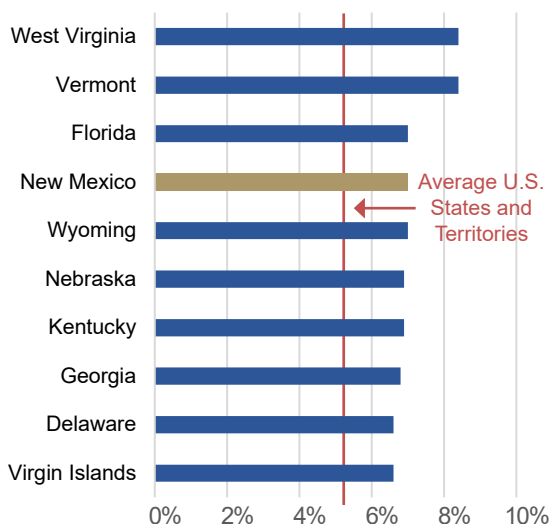
While the average annual per-member per-month insurance premium increase for all U.S. states and territories was 4.6 percent, New Mexico was ranked sixth with an increase of 6.2 percent a year. Similarly, the average annual per-member per-month claim increase was 5.2 percent, while New Mexico was ranked fourth with an increase of 7 percent a year.

The growth in both premiums and claims outstripped the average annual increase of 3.37 percent in the U.S. Consumer Price Index.

**Top 10 Average Annual Insurance Premium Growth**  
Per Member Per Month  
2017-2024



**Top 10 Average Annual Insurance Claims Growth**  
Per Member Per Month  
2017-2024



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## On the Table

### Fed Medicaid Match Dropping

Preliminary figures indicate the federal matching rate for New Mexico's Medicaid program will drop by 0.2 percentage points in the federal fiscal year that starts October 2027. A similar 0.19 percentage point reduction in the rate is expected to cost the state \$8.2 million in FY27. The rate is based on a state's per capita personal income relative to the national average. New Mexico's per capita income growth of 5.7 percent in from 2023 to 2025 was the second only to Hawaii's rate of 7 percent.

### Public School Health Premiums Could Jump

The Public School Insurance Authority board has voted to increase health insurance premiums by 26.5 percent beginning in October 2027. Under legislation passed during the 2026 legislative session, employers must cover at least 80 percent of insurance premiums. If finalized, the increase could cost the state tens of millions of dollars.

### DOH Plans Vaccination Catch-Up

The Department of Health plans to work with the Early Childhood Education and Care Department to help children in childcare catch up on vaccinations. Vaccination rates among children from 19 months to nearly 3 years old have decreased 4 percent since the start of the fiscal year in July 2025.

### Executive Order Total Hits \$137M

The governor signed her 193rd executive order for FY26 authorizing \$750 thousand in funding to the Department of Military Affairs to assist law enforcement in Rio Arriba, Santa Fe, and Taos counties, Española, the Jicarilla Apache Reservation, and the pueblos of Pojoaque, Ohkay Owingeh, Santa Clara, San Ildefonso, and Tesuque. So far, the governor has authorized \$137 million in spending through executive orders.

### Food Programs Get Grants

The Economic Development Department has awarded \$1.6 million from the healthy food financing fund to 25 projects to support local agricultural supply chains and food systems. Grants ranged from \$20 thousand to \$150 thousand and include \$20 thousand to Gathings Community Gardens in Farmington for food processing equipment, \$50 thousand to Reunity Resources in Santa Fe to expand existing greenhouse infrastructure, and \$150 thousand to Fiesta Meats in Elephant Butte to establish a USDA-certified meat processing mobile unit for small New Mexico ranchers. The Legislature appropriated \$2 million in one-time funding for the fund in 2025 and an additional \$2 million in 2026.

### Construction Halted on Mosquero School

The Construction Industries Division has ordered the Mosquero Municipal School District and Public School Facilities Authority to halt renovation work on the district's school. The letter to the parties says "building one" is structurally unsound and poses life safety risks to contractors. The renovations are part of the final phase of construction on the replacement for the district's combined school, which has experienced cost overruns and required supplemental funding.

### Transitions

Superintendents in several school districts are leaving: John York of San Jon, Carl Marano of Española, Dave Johnson of Tucumcari, Travis Dempsey of Gadsden, and Cindy Sims of Estancia. Johnson, Dempsey, and Sims are retiring. York, in the post for about a year, has accepted a superintendent position in Texas, and Marano's contract was terminated after nine months. Tucumcari has hired Deanne McKinney, an assistant superintendent, and Gadsden has selected Nubia Tarazona, who has been serving as interim superintendent.