LFC Newsletter

A publication of the **Legislative Finance Committee**

Representative Nathan Small, Chairman
Senator George Muñoz, Vice Chairman
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From the Chairman

Clear Vision

Over the last several years, New Mexico has made major investments in our students, schools, and teachers. The $4.9 billion appropriated from the state general fund for public schools for the current year is nearly double that of 10 years ago and almost triple what we spent in 2001-2002.

We raised salaries and strengthened benefits for public school educators so we can recruit and retain the best and the brightest. Our teacher residency programs are bringing new educators into our classrooms and innovative staffing models are supporting educator collaborations within our schools.

We provided no cost school lunches so our children can focus on learning and not worry about a rumbling stomach in the classroom. We made historic investments in career technical education so that we can better prepare students for life after graduation.

We are seeing some signs of real progress, including improvements in graduation rates and reading and math proficiency, as well as decreases in teacher vacancy rates. But we also know that much more progress is needed, and there is no time to waste.

That's why our legislature recently dedicated funding to the New Mexico K-12 Plus program to encourage school districts to add instructional time. LFC staff has confirmed the research that shows student outcomes improve when they spend more time learning.

The Learning Policy Institute reports that by sixth grade, students from middle- and upper-income families have received up to 6,000 more hours in educational and out-of-school learning than their lower-income classmates. Increasing learning time can help reduce those disparities.

Unfortunately, we have seen that some schools are taking advantage of a loophole in the K-12 Plus funding formula that allows them to cut back on hours and still get the extra funding. One of LFC's essential roles is to evaluate how effectively and efficiently your tax dollars are being spent. When this kind of disconnect occurs between how those dollars are actually being used and their intended purpose, we must ask hard questions.

We will do exactly that in a joint meeting with LFC and the Legislative Education Study Committee in Las Cruces on September 24. By bringing our budget and education committees together to dive deeper into these issues, we can better align our education spending with the needs of New Mexico's students. Specifically, we will also look at ways to close the K-12 Plus loophole so that it results in the extra classroom hours we intended.

Over the coming weeks and months, as we build the budget, the question we must keep returning to is: How will this help our students?

Representative Nathan Small
Chairman

NM Has More Housing but State's Impact Limited

More housing is being built in New Mexico, but the state's nearly three-quarter billion dollar contribution to housing availability has had a limited impact and system changes might be needed to make a difference, an LFC evaluation finds.

The Legislature has appropriated more than $700 million to housing through one-time appropriations and other avenues since the 2022-2023 fiscal year, according to the progress report scheduled to be presented 9 a.m. September 22. But state-supported projects account for only a small share of the growth in housing production.

The report, which looks at $524 million in major special appropriations and revenue transfers that could be tracked, finds changes in regulation and permitting, investments in infrastructure, and financing strategies could have a greater impact on the overall supply.

Housing grew more slowly in New Mexico than nationally over the last decade, but the state experienced a sharp increase after 2020, with 62 thousand housing units added from 2020 to 2026. State programs supported about 4,400 planned units, with about 1,500 of those completed.

Despite the growth in housing units, New Mexicans continue to struggle to afford housing and homelessness has increased, the report says.

It says about 29 percent of New Mexico households are paying more for housing than the one-third of household income considered affordable, and nearly half of renters are "housing cost-burdened," mostly because of low incomes.

The report says just 1 percent of the special appropriation spending has gone to housing for the lowest-income households, and housing growth has not always been aligned with need by location, housing type, or affordability.

In addition, New Mexico lacks a single system for coordinating programs and tracking investments, the report says. Multiple agencies are involved in housing supports, including the Mortgage Finance Authority, the Office of Housing at the Workforce Solutions Department, and the New Mexico Finance Authority.

Growing Health Costs on State Tab

The cost of health insurance plans for state agency and public school employees is expected to increase by tens of millions of dollars in the budget year that starts July 1, 2027, but the state will absorb most of the growth, LFC staff analysis shows.

The State Health Benefits Program, which manages healthcare insurance for state agency and local government employees, is asking for a 10.1 percent increase in premiums in the 2027-2028 fiscal year, while the Public School Insurance Authority is expected to ask for a 26.5 percent increase, staff report in a brief presented to the committee in August.

The premium increase for state employees alone is expected to total almost $66 million.

Over the last few years, the state upped the employer's share of healthcare insurance premiums to 80 percent for both state agency and public school employees, at a cost of more than $100 million.

State employees responded by choosing higher cost insurance plans—99 percent of state employees moved to gold or platinum plans while almost half of local government employees, whose employers cover a range of cost share, chose lower-cost silver plans.

The Public School Insurance Authority's request for a 26.5 percent increase is intended to partially cover a projected $41.5 million shortfall for the 2026-2027 budget year. However, Albuquerque Public Schools, which has been independent of the authority but must join the authority in July 2027, carries significant cash balances in their group benefit funds but the authority and district have not determined how or whether to move those funds.

The 2026 law requiring Albuquerque to join the authority also calls for the Health Care Authority to study merging the state and public school health insurance programs. Risk spread over a larger pool of employees could lower costs.

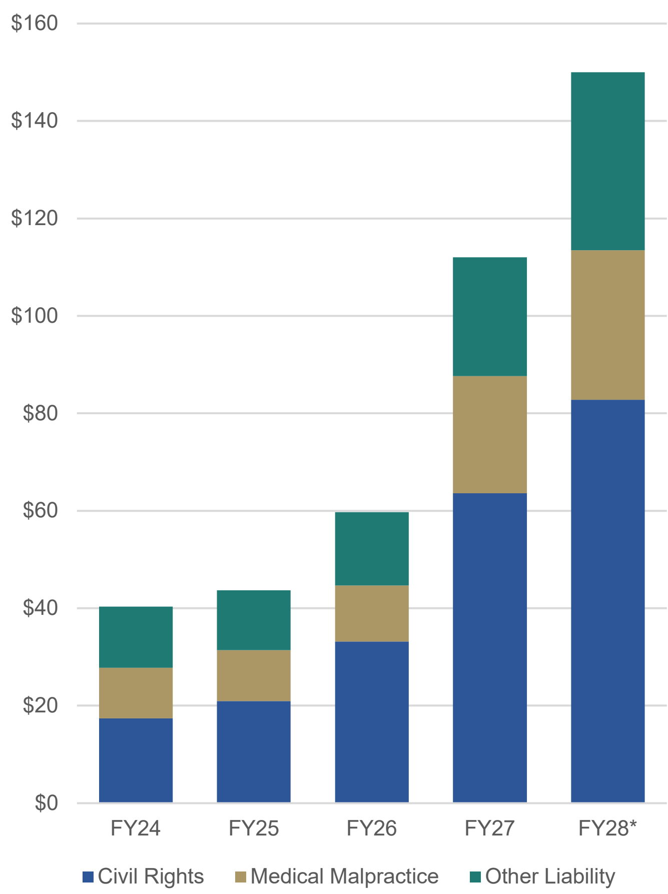
State Agency Premiums for Liability More Than Triple

State agencies are expected to pay $110 million more for liability coverage in the 2027-2028 fiscal year than they did five years ago, LFC analysis shows.

Overall, public liability premiums, which are set by the General Services Department in August so that agencies can include the costs in their budget requests for the following fiscal year, would be up 270 percent. Civil rights coverage is increasing the most, from $13 million per year to $82 million per year, or 376 percent.

Premiums have more than doubled since FY26, and the fund ended the year without reserves, despite large special appropriations from the general fund. Large increases in premiums have been needed to rebuild the fund reserve.

Liability Fund Premiums



*Budget Request Amounts

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On the Table

State Agencies Ask for $780M More

State agencies requested an additional $783 million from the general fund for ongoing expenses in the 2027-2028 budget year, a 15.7 percent increase. The total does not include the funding requests for public schools or colleges and universities, which will be finalized later this year. Notably, Homeland Security requested a 224 percent increase, and Workforce Solutions Department asked for a 206 percent increase.

County Government Balances Grow

Counties had $4.3 billion in revenue balances at the end of the 2024-2025 fiscal year, a 9 percent increase over 2023-2024. The counties with the largest balances were Lea ($822 million), Eddy ($755 million), and Bernalillo ($662 million), and the counties with the smallest reported balances were De Baca ($6.4 million), Harding ($9.1 million), and Guadalupe ($9.7 million). The LFC analysis did not include six counties that did not post their audits online.

School Absenteeism Improves

Statewide student chronic absenteeism rates improved slightly for FY26, dropping to 31 percent, a 2-percentage point decrease from the prior year, the Public Education Department reports.

Physician Assistant Grads Stay in NM

The University of New Mexico School of Medicine reports about 90 percent of graduates from its physician assistant program remain in New Mexico to practice. Since the program began in 1997, it has produced nearly 400 graduates, with 92 percent of current students coming from New Mexico and 31 percent identified as first-generation college students.

Teen Births Down

New Mexico's birth rate among 15 to 19 year olds was 18 per 100 thousand population in 2024, the federal Centers for Disease Control and Prevention reports. This is a 17.4 percent decrease from the state's 2020 teen birth rate of 21.8 per 100 thousand population. Despite the decrease, New Mexico has the ninth highest teen birth rate in the nation.

Equine Therapist Guilty of Medicaid Fraud

A Third Judicial District Court judge has accepted a plea agreement by the owner of Equine Assisted Programs of Southern New Mexico for $970 thousand of Medicaid fraud. The investigation, conducted by the Attorney General's Medicaid Fraud Control Unit, led to the owner pleading guilty to two charges each of Medicaid fraud, falsification of documents, and identity theft. Nancy Marshal has been ordered to pay the $970 thousand to the state and, after failing to appear at her sentencing hearing, was sentenced to five years in prison.

VA Center Care Suffers from Staff Shortages

Staffing shortages at the Raymond G. Murphy Veterans Affairs Medical Center in Albuquerque have reduced available care, the U.S. Department of Veterans Affairs inspector reports. At times, 75 of the some 300 beds at the facility were unavailable because of federal cuts to the nursing, anesthesiology, cardiology, and other medical staff. The report also notes waiting times have grown for special services and procedures. The Albuquerque center serves roughly 84 thousand patients annually.

Transitions

Deputy Secretary Antoinette Vigil from the Aging and Long-Term Services Department has left at the agency.

The governor has appointed Maria Montoya Chavez to serve as family court judge in the Second Judicial District, a position created during the 2026 legislative session.