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FY28 Budget Preview:
Health and Human Services Agencies

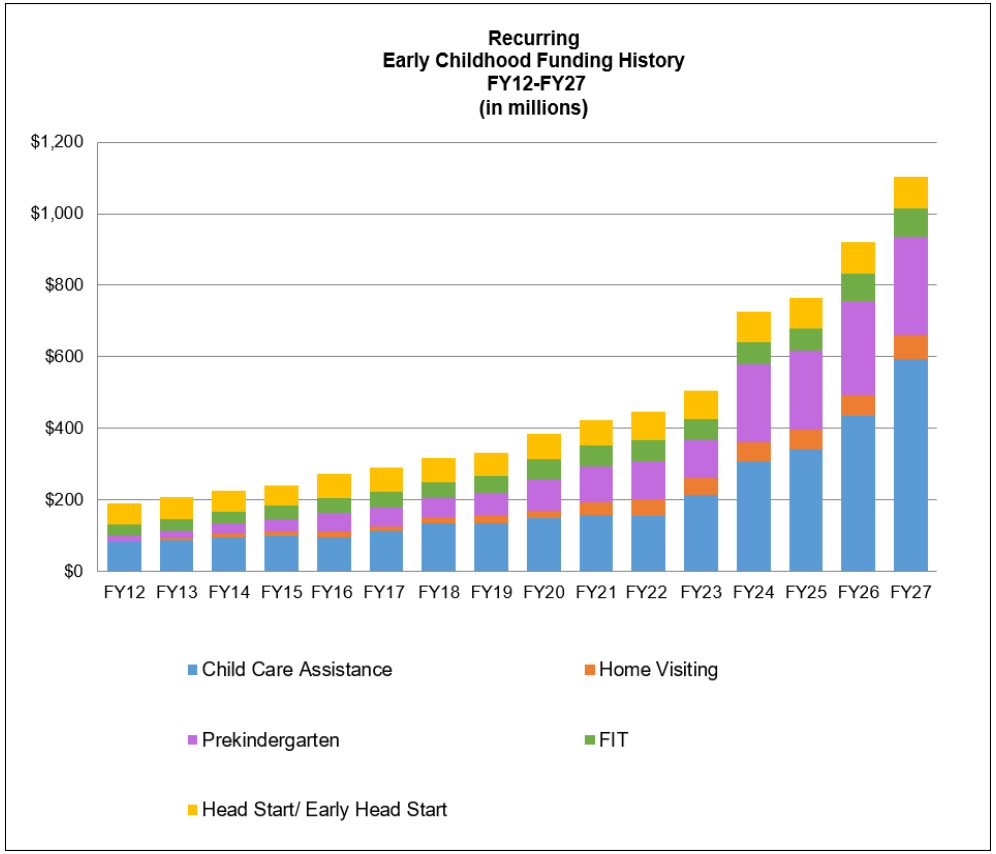
Kelly Klundt, Deputy Director, Legislative Finance Committee
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Emily Hilla, Fiscal Analyst, Legislative Finance Committee
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November 13, 2026

Overview

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Early Childhood Education and Care Department

Early Childhood Education and Care Department (ECECD) Funding History



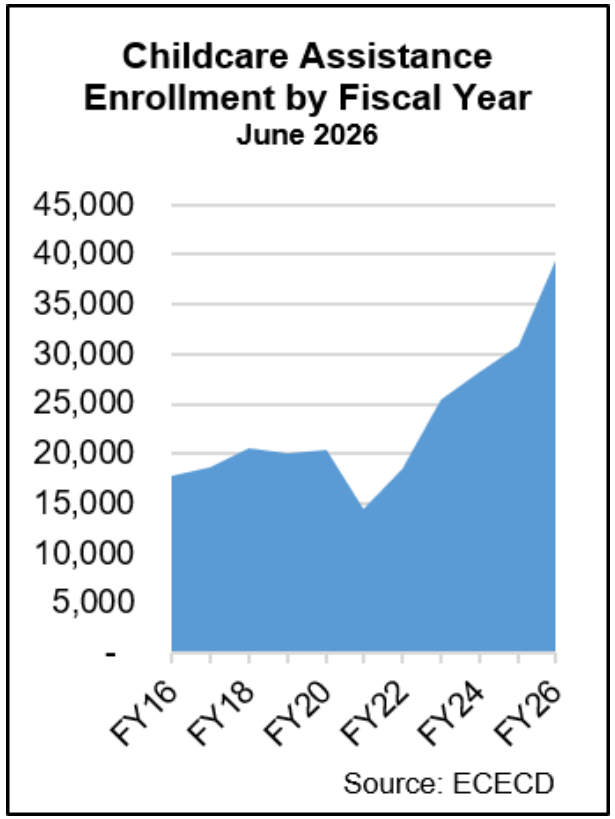
Not including $155 million of nonrecurring revenue in in FY27 for the childcare assistance program.

ECECD FY28 Request

- Requested increase for recurring revenues included:
  - $14 million for home visiting
  - $7 million for the Family, Infant and Toddler program (FIT)
  - $5 million for infant and toddler provider pay parity
  - $15 million for early prekindergarten
  - $2 million for tribal supports
  - $7 million department operations such as personnel, IT and other rates
- Requested increase for nonrecurring revenues included:
  - $160 million for childcare assistance

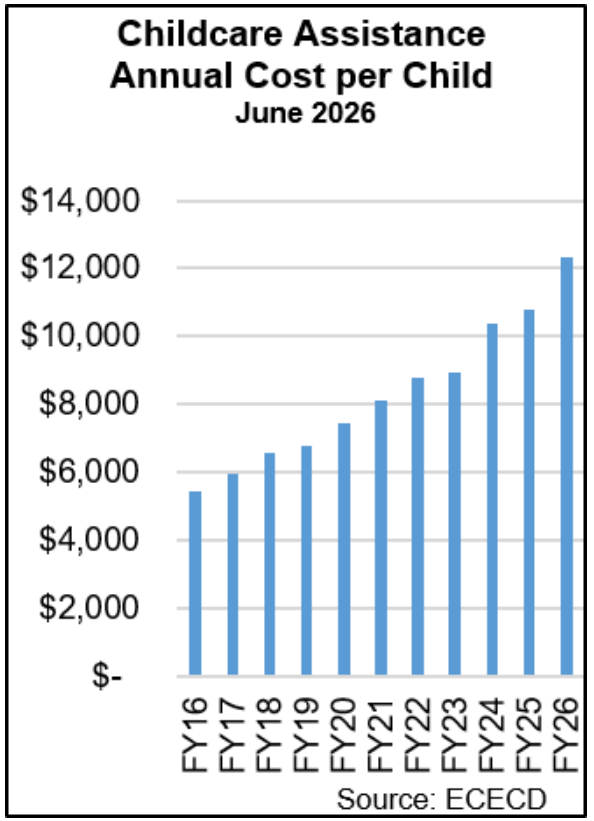
Childcare Assistance Spending

- **Universal Eligibility Established:** New Mexico eliminated all household income caps in 2025 (codified via SB 241), offering fully subsidized childcare with zero copayments to all working or student parents regardless of income.
- **Escalating Cost Per Child:** Provider reimbursement rates drove the average annual cost per child from $7,000 in 2019 to over $12,400 in 2025.
- **Rapid Enrollment:** Average monthly participation expanded from 33,100 children in late 2025 to 48,300 by August 2026, nearing statutory guardrail caps.



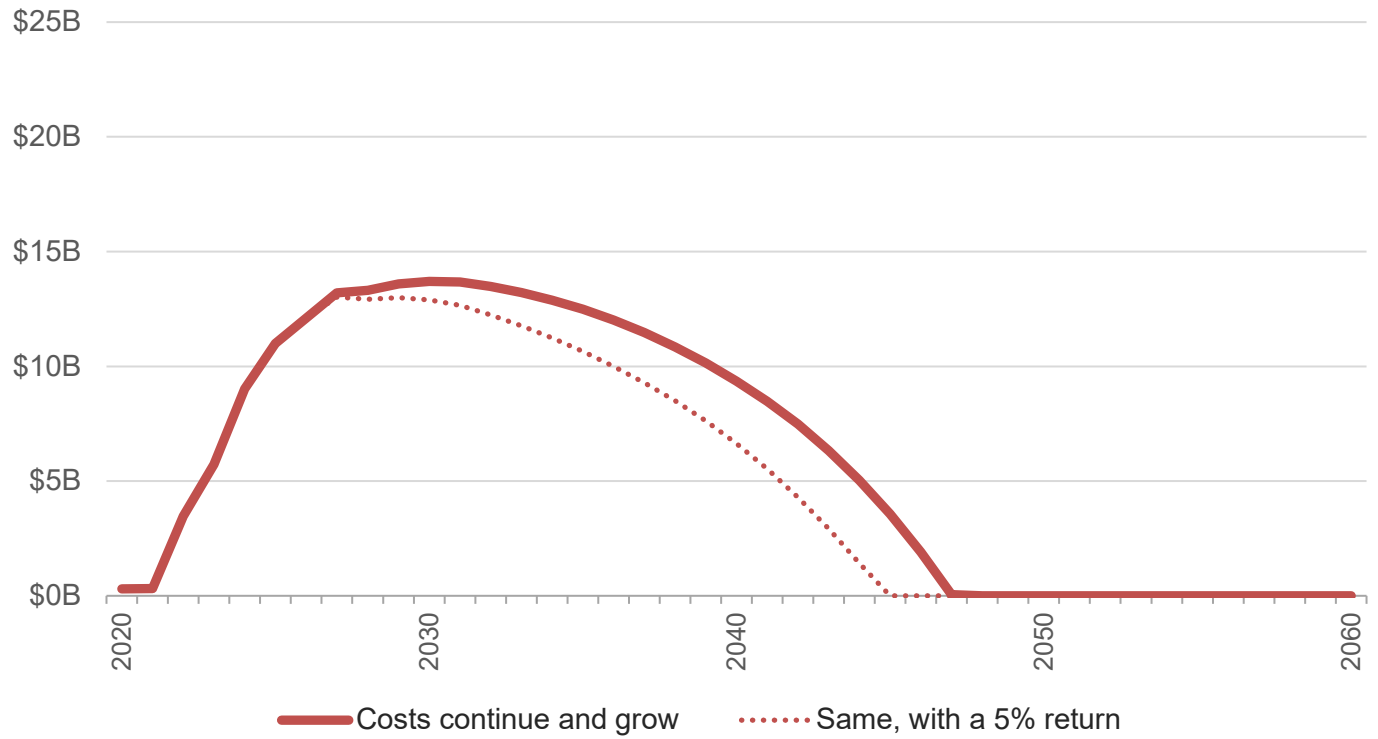
Childcare Assistance Spending

- **Budget Considerations:** Rising participation and per-child costs triggered operational funding transfers in FY26 and projected deficits for FY27, prompting a $160 million budget increase request for FY28 .
- **Cost-Containment Triggers:** Despite meeting statutory inflation triggers in spring 2026 that permit waitlists or copayments for families earning above 600% FPL, ECECD has yet to implement.
- **Fiscal Sustainability:** The state authorized up to $700 million in nonrecurring draws from the Early Childhood Trust Fund ($155 million in FY27) to cover operational gaps, creating long-term structural issue by funding recurring obligations with one-time revenue.



Early Childhood Education and Care Trust Fund

If withdrawals continue above investment returns to meet growing costs, the early childhood trust fund peaks in 2030 and is empty by 2048.



$13.7 billion

peak balance, in 2030, as deposits wind down

2048

the corpus is exhausted; 2045 at a 5 percent return. No corpus means no more distributions supporting the programs.

Source: CREG Forecast August 2026; LFC analysis

Children, Youth and Families Department

Overview of FY28 Request – Children, Youth and Families Department (CYFD)

- CYFD requested a total budget of $497.4 million, an increase of $89 million, or roughly 20 percent.
- The request included a $100 million, or 35 percent, increase in general fund revenue.
- By program:
  - Protective Services – requested a $61.2 million, or 43.7 percent, increase in general fund
  - Juvenile Justice – requested a $13 million, or 16.7 percent, increase in general fund
  - Behavioral Health – requested $12.1 million, or 24.5 percent, increase in general fund
  - Program Support – requested $13.8 million, or 75.1 percent, increase in general fund

FY28 Request – Protective Services

- The agency requested a total budget of $292.7 million, an increase of $50 million, or roughly 20 percent.
- The request included a $61.2 million, or 43.7 percent, increase in general fund revenue.
- CYFD requested $18.5 million in general fund revenue for expiring GRO projects:
  - $7.2 million for multilevel response
  - $7 million for case aides
  - $2.5 million for maintenance payment increases
  - $1.3 million for foster care recruitment and retention
  - $600 thousand for master's level social worker incentives

FY28 Request – Protective Services

- CYFD requested over $14 million in general fund revenue increases for personnel, including:
  - $6 million for pay raises
  - $4.9 million to fund new positions
  - $2.8 million to overhire caseworkers
- The agency requested $10.8 million in general fund revenue to replace federal funding.
- Other significant requests for general fund revenue increases included:
  - $5 million for congregate care facilities
  - $2.5 million for *Kevin S.* co-neutral costs
  - $2.5 million for child advocacy centers
  - $2.3 million for fostering connections

FY28 Request – Juvenile Justice

- The agency requested a total budget of $101.6 million, an increase of $7.7 million, or 8.2 percent.
- The request included a $13 million, or 16.7 percent, increase in general fund revenue.
- Significant requested general fund increases included:
  - $4.6 million for JJAC programs
  - $3.7 million for JCC programs
  - $3.7 million for personnel

FY28 Request – Behavioral Health

- The agency requested a total budget of $65 million, an increase of $12.1 million, or 22.9 percent.
- The requested increase was entirely general fund revenue, constituting a 24.5 percent increase.
- Significant requested increases included:
  - $5 million for domestic violence services
  - $2.8 million to replace expiring GRO funding for community behavioral support services
  - $2 million for pay raises and vacancy reductions

FY28 Request – Program Support

- The agency requested a total budget of $38 million, an increase of $13.8 million, or 56.9 percent.
- The requested increase was entirely general fund revenue, constituting a 75.1 percent increase.
- Significant requested general fund increases included:
  - $8.2 million for maintenance & operation of the new Comprehensive Child Welfare Information System (CCWIS)
  - $4.1 million to replace expiring GRO funding for SB42 compliance, a data team, and responding to requests from the Office of the Child Advocate
  - $754.4 thousand for pay raises and vacancy reductions

Department of Health

Department of Health (DOH) FY28 Budget Request

- The Department of Health (DOH) requested a total budget of $721.2 million for FY28. This is a $17.8 million, or 2.5 percent, increase from its FY27 budget of $703.4 million. Of the requested increase,
  - $8.9 million requested increase is from general fund revenue;
  - A $4 million decrease from transfers from other agencies;
  - A $5.3 million decrease in federal funds; and
  - $18.3 million requested increase is from other revenue DOH generates.

Background

With the transfer of the Developmental Disabilities Supports (DDSD) and the Health Certification, Licensing, and Oversight (DHI) programs to the Health Care Authority (HCA) in FY25, DOH has experienced a reduced shift in the program oversight and revenues than in previous fiscal years. Post transfer, the department's portfolio consists of the following programs: Public Health, Epidemiology and Response, Laboratory Services, Facilities Management, Medical Cannabis and Program Support.

DOH FY28 General Fund Request

Program Support P001	
FY27 OpBud	**11,596.5**
Health Insurance	123.2
State-Tribal Collaboration Act	250.0
ADA Web Accessibility	475.0
Subtotal FY28 Base	*848.2*
Total FY28 Base	**12,444.7**
% Change from OpBud	**7.3%**
Public Health P002	
FY27 OpBud	**84,331.0**
ChileChat and YesNM	250.0
Farmer's Market Direct Food Assistance	1,500.0
Health Insurance	616.2
Subtotal FY28 Base	*2,366.2*
Total FY28 Base	**86,697.2**
% Change from OpBud	**2.8%**
Epi & Response P003	
FY27 OpBud	**19,040.3**
Health Insurance	143.8
Personal Protective Equpment Federal Fund Replacement	150.0
Mosquito Surveillance	1,725.0
Subtotal FY28 Base	*2,018.8*
Total FY28 Base	**21,059.1**
% Change from OpBud	**10.6%**

Laboratory Services P004	
FY27 OpBud	**13,024.5**
Health Insurance	123.2
Subtotal FY28 Base	*123.2*
Total FY28 Base	**13,147.7**
% Change from OpBud	**0.9%**
Facilities Management P006	
FY27 OpBud	**102,648.1**
Health Insurance	1,047.5
EHR Maintenance and Support Fees	1,100.0
DoIT Rates	465.0
Subtotal FY28 Base	*2,612.5*
Total FY28 Base	**105,260.6**
% Change from OpBud	**2.5%**
Medical Cannabis P787- NO GF in FY27	
FY27 Opbud NO GF	-
Personnel for Medical Psilocybin Program	676.8
Contracts for Medical Psilocybin Program	198.0
Other Costs for Medical Psilocybin Program	125.2
Subtotal FY28 Base	*1,000.0*
Total FY28 Base	**1,000.0**

DOH: Epidemiology and Response and Laboratory Services FY28 General Fund Request

- The Epidemiology and Response Program requested a $2 million, or 10.6 percent, general fund increase, primarily for mosquito surveillance at $1.7 million, and $143.8 thousand for fixed health insurance increases.
- The Laboratory Services Program only requested a $123.2 thousand, or less than 1 percent, general fund increase to cover fixed health insurance costs.

DOH: Public Health, Medical Cannabis, and Program Support FY28 General Fund Request

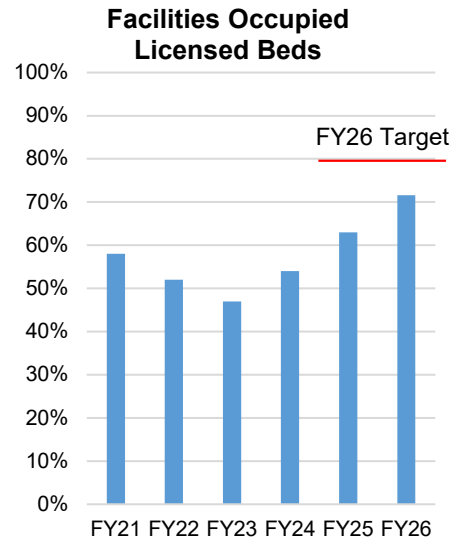
- The Public Health program requested a $2.3 million, or 2.8 percent, general fund increase for FY28, primarily for farmer's market direct food assistance.
- The Medical Cannabis program does not receive general fund revenue. For FY28, DOH is requesting $1 million in general fund revenue for the program for implementation of the Medical Psilocybin Act.
- Program Support requested a $848.2 thousand, or 7.3 percent, general fund increase for FY28 for ADA compliance, the State-Tribal Act, and fixed rates.

DOH: Facilities FY28 Request

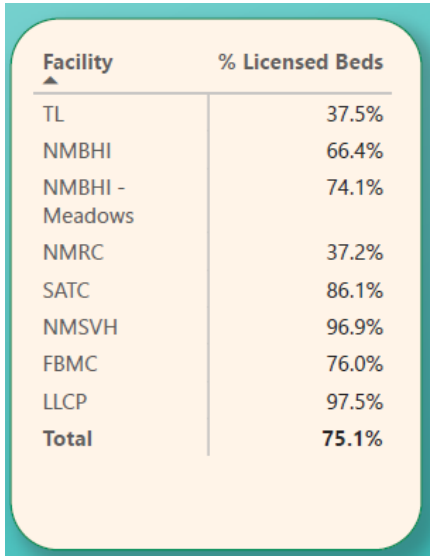
- From general fund revenue in FY28, Facilities Management requested a $2.6 million, or 2.5 percent, increase. One million dollars for fixed health increases, $1.1 million for recurring maintenance of its electronic health records system, and $465 thousand for Department of Information Technology rate increases.

DOH Facilities Census

Turquoise Lodge: 15
New Mexico Behavioral Health Institute (NMBHI): 145
NMBHI Meadows: 121
New Mexico Rehabilitation Center: 16
Sequoyah Adolescent Treatment Center: 31
New Mexico Veterans' Home: 127
Fort Bayard Medical Center: 152
Los Lunas Community Program: 79



Source: DOH



Facility	% Licensed Beds
TL	37.5%
NMBHI	66.4%
NMBHI - Meadows	74.1%
NMRC	37.2%
SATC	86.1%
NMSVH	96.9%
FBMC	76.0%
LLCP	97.5%
Total	**75.1%**

*As of 10/30/26

*As of 10/30/26 Source: DOH

Source:DOH

The occupancy of licensed beds in facilities statewide remains below target levels of 80 percent census across all facilities; however, facility census has increased by approximately 7.6 percent from this same time last year. DOH opened the Epi Duran Substance Abuse Treatment Center in Las Vegas in August 2026.

Aging and Long-Term Services Department

Aging and Long-Term Services Department (ALTSD) FY28 Budget Request

- The Aging and Long-Term Services Department (ALTSD) requested a total budget of $120 million, a $19.4 million, or 19.3 percent, increase for FY28. Across its sources of revenue, the department requested:
  - $97 million from general fund revenue, a $19.4 million, or 25 percent, increase;
  - $6 million from other transfers, flat with FY27;
  - $14.6 million in federal funds, flat with FY27;
  - $115.8 thousand from other revenues, flat with FY27; and
  - $2.2 million in fund balance from the Kiki Saavedra Senior Dignity Fund, flat with FY27.

ALTSD FY28 General Fund Request

Consumer & Elder Rights P592	
FY27 OpBud	**3,634.2**
Convert 2 Terms to Perms	202.9
Create 2 New Call Center Positions	171.0
Health Insurance	49.4
GSD and DoIT Rate Increases	68.4
Subtotal FY28 Base	*491.7*
Total FY28	**4,125.9**
% Change from FY27 OpBud	**13.5%**
Adult Protective Services P593	
FY27 OpBud	**11,196.5**
Fund 10-13 Vacant Positions	1,500.0
Health Insurance	158.7
GSD and DoIT Rate Increases	203.2
Subtotal FY28 Base	*1,861.9*
Total FY28	**13,058.4**
% Change from FY27 OpBud	**16.6%**
Aging Network P594	
FY27 OpBud	**47,951.7**
Area Agencies on Aging	6,000.0
Health Insurance	27.9
Senior Employment Participant Program	366.1
GSD and DoIT Rate Increases	39.4
Subtotal FY28 Base	*6,433.4*
Total FY28	**54,385.1**
% Change from FY27 OpBud	**13.4%**

Long-Term Care P595	
FY27 OpBud	**7,126.5**
GSD and DoIT Rate Increases	152.4
New Mexicare Program Expansion	9,325.0
Health Insurance	37.2
Subtotal FY28 Base	*9,514.6*
Total FY28	**16,641.1**
% Change from FY27 OpBud	**133.5%**
Program Support P591	
Prior Year OpBud	**7,670.7**
Fund 4 FTE	359.9
Grant Writing and Program Evaluation	200.0
Maintenance for Mon Ami C2 System	450.0
ADA Compliance	10.0
Health Insurance	48.6
GSD and DoIT Costs	52.5
Subtotal FY28 Base	*1,121.0*
Total FY28	**8,791.7**
% Change from FY27 OpBud	**14.6%**

ALTSD: Consumer and Elder Rights, Adult Protective Services, and Aging Network Request

- For the Consumer and Elder Rights program, ALTSD requested a $491.7 thousand, or 13.5 percent, primarily for staffing, with the rest of the increase for fixed rates.
- For Adult Protective Services, the department requested a $1.8 million, or 16.6 percent, increase, primarily to fill vacant positions.
- For the Aging Network, ALTSD requested a $6.4 million, or 13.4 percent, increase, primarily for the Area Agencies on Aging for service sustainability and expansion including transportation, meals, respite, and health promotion.

ALTSD: Long-Term Care and Program Support

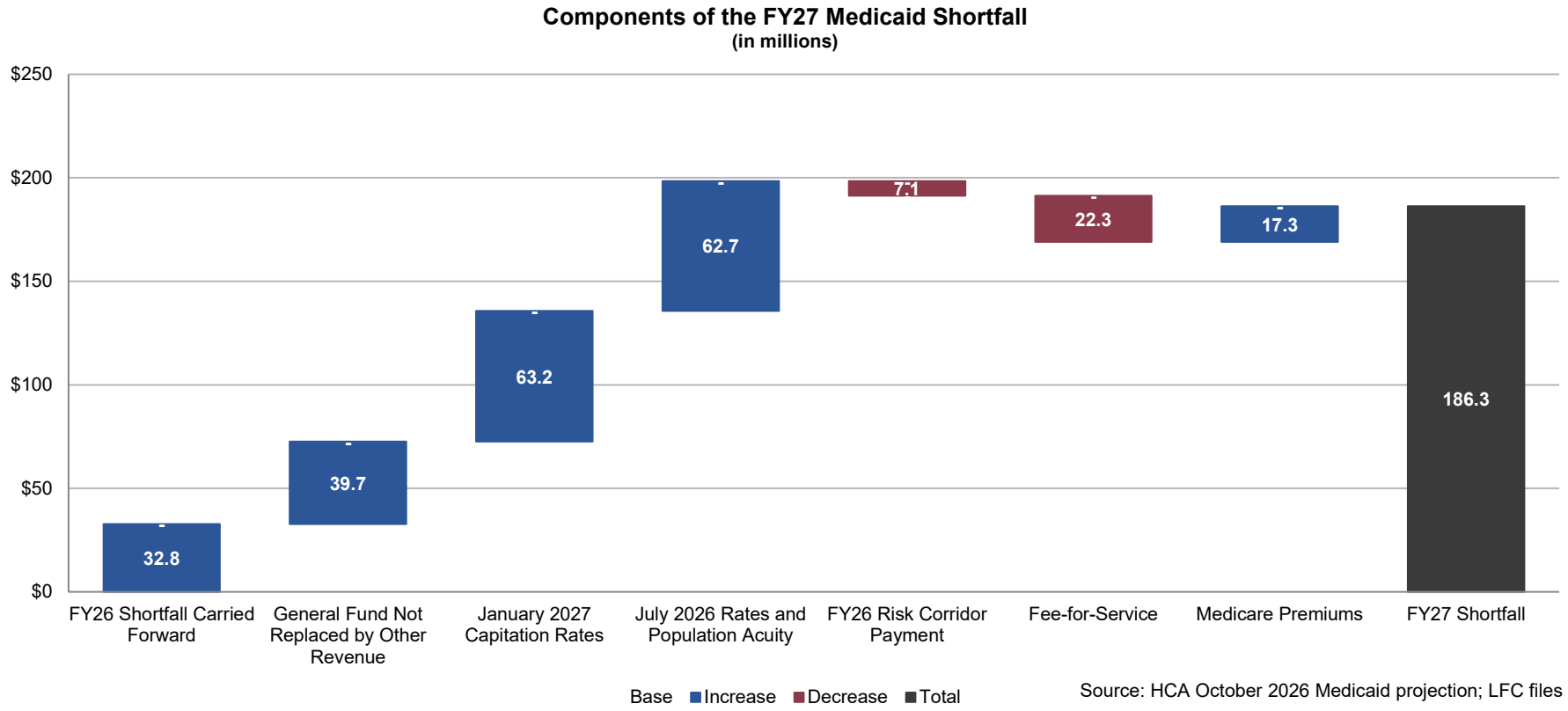
- ALTSD's largest request was in the Long-Term Care program, a $9.5 million, or 133.5 percent, increase, primarily to provide additional recurring revenue to its New Mexicare program.
- Program Support requested $1.1 million, or a 14.6 percent increase, primarily for new staff, grant writing, and maintenance for its IT system.

Health Care Authority

Health Care Authority (HCA) FY28 Budget Request

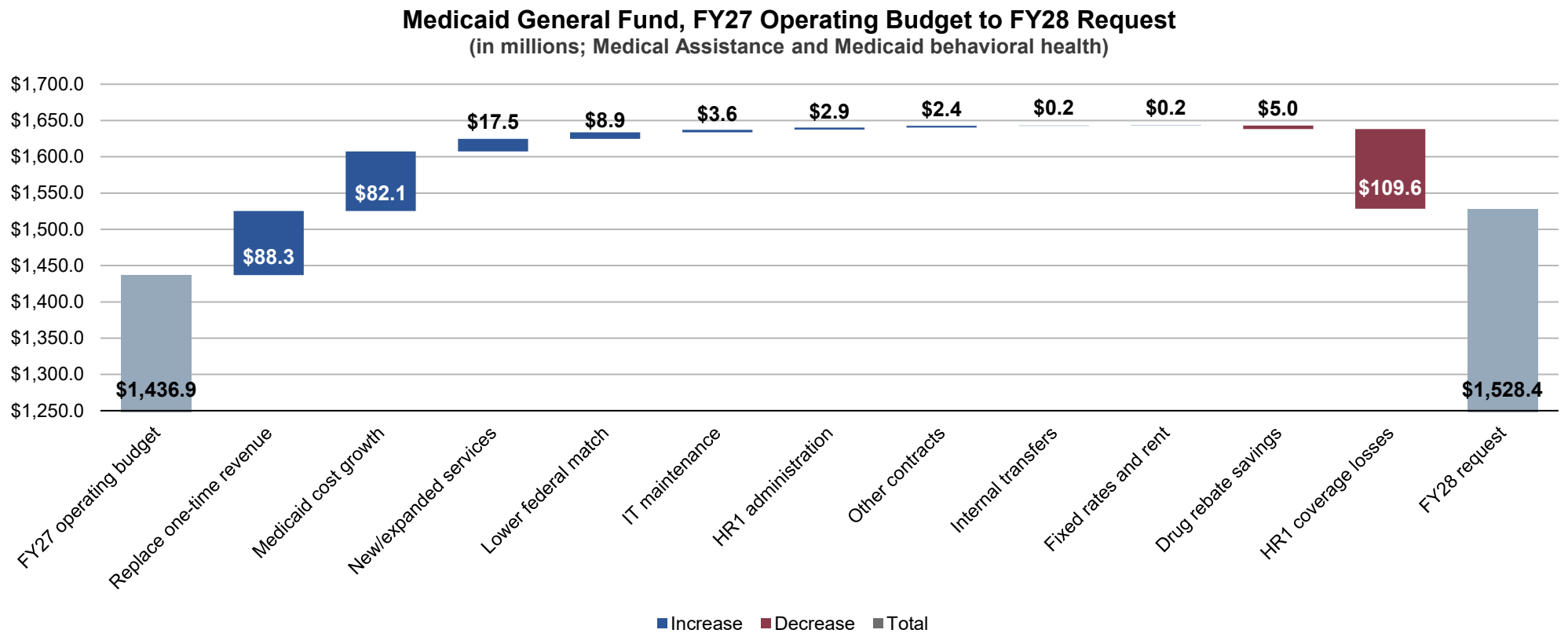
- For FY28, the HCA requested an 8.7 percent increase in general fund revenue above the FY27 operating budget.
- Requested increases include:
  - In the three Medicaid programs (Medical Assistance, Medicaid Behavioral Health, and Developmental Disabilities Support) the authority requested $144 million for managed care capitation rate increases, personal care provider rate increases, developmental disability provider rate increases and offsets for expected disenrollments related to new work requirements, and more frequent eligibility redeterminations.
  - For Medicaid, the authority also requested to eliminate the use of health care affordability fund revenue and to replace drug rebate non-recurring revenue.
  - Within the Income Support Program, the authority requested to move non-recurring funding for food banks to the base.
  - Across the authority's programs, the agency requested nearly $31 million for administrative related activities, such as $4.2 million for Deloitte IT contracts, $2.2 million MMIS maintenance and operations, $2.4 million for contracts with ATA, Mercer, and Syncronys, and $10.9 million for the new SNAP administrative matching rate, which was already funded during last year's session.
- However, HCA recently provided updated Medicaid budget projections indicating an increase of $300 million in unsupported spending.

Medicaid Projected FY27 Shortfall

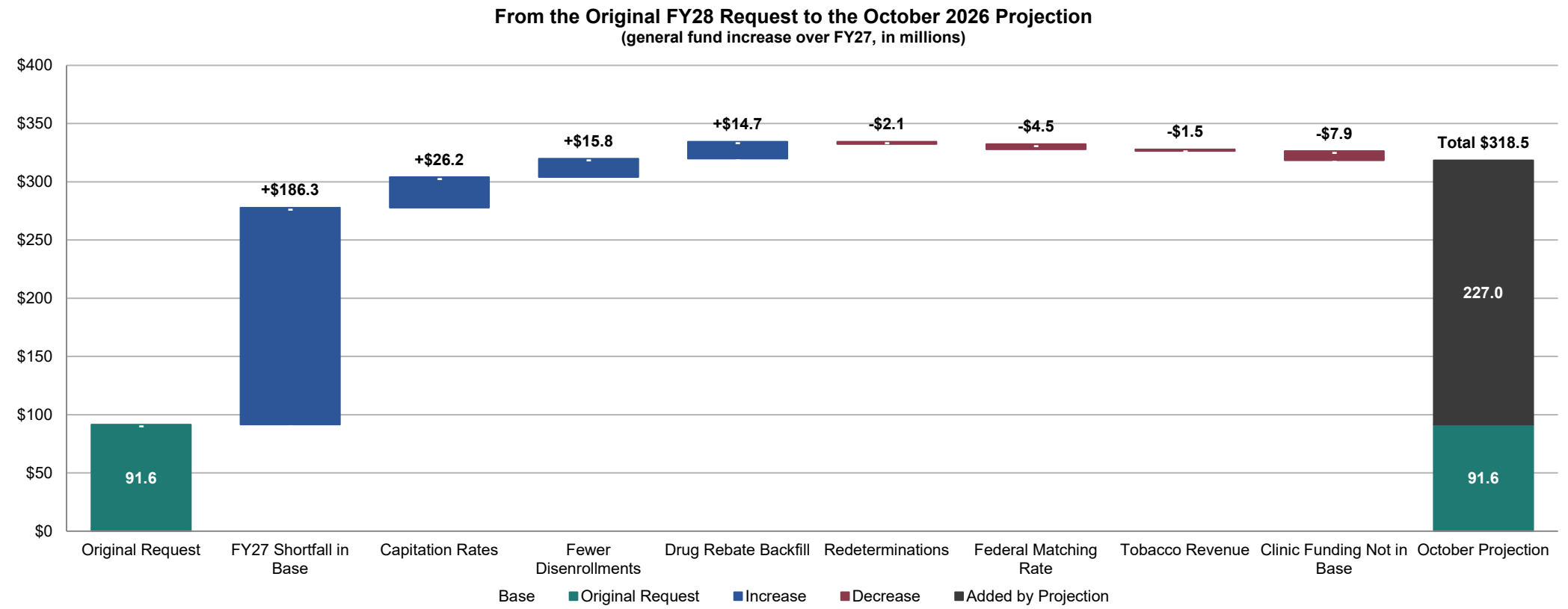


Source: HCA October 2026 Medicaid projection; LFC files

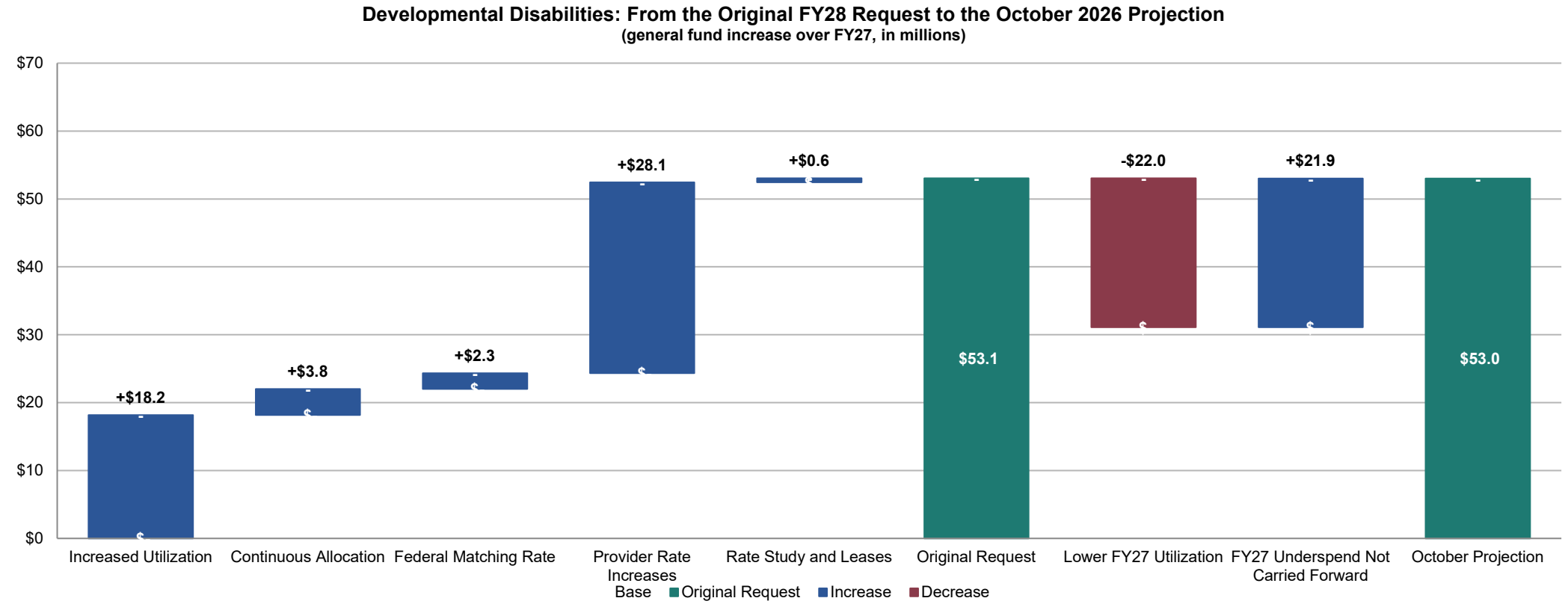
FY28 Medicaid Original Request



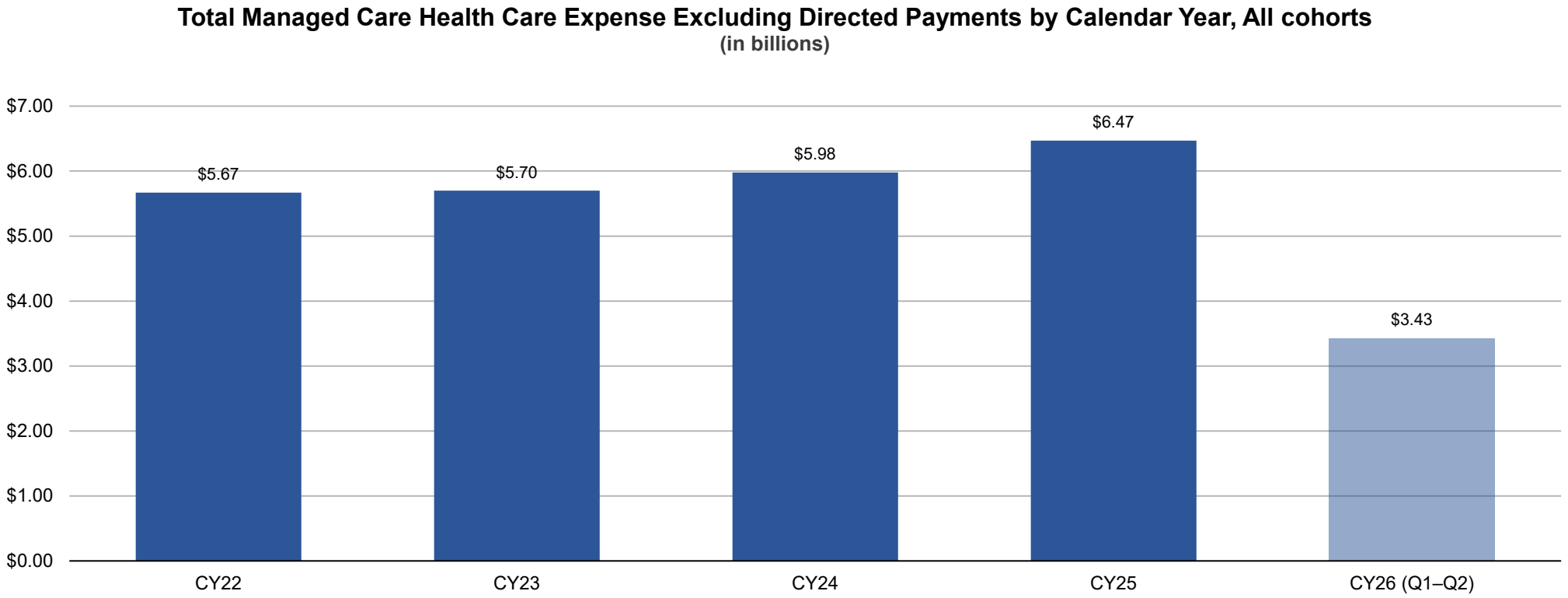
FY28 Medicaid Projected Increased Spending



FY28 Developmental Disabilities Projected Increased Spending

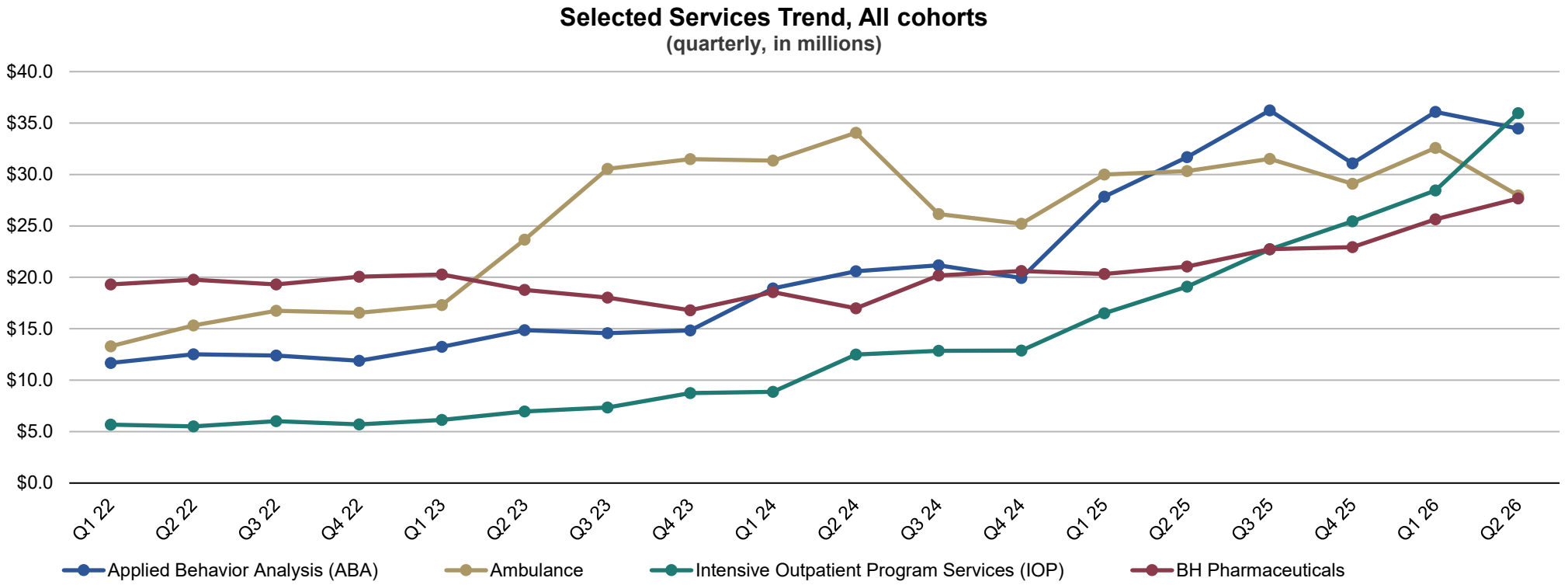


Managed Care Spending



Source: MCO quarterly and annual supplemental financial reports, Report 1

Managed Care Spending



Source: MCO quarterly and annual supplemental financial reports, Report 1

Federal Budget Reconciliation – Medicaid Timeline

Timeline -- Federal Reconciliation Medicaid Changes

State Fiscal Year	SFY25	SFY26	SFY27	SFY28	SFY29	SFY30	SFY31	SFY32	SFY33	SFY34	
Federal Fiscal Year	FFY25	FFY26	FFY27	FFY28	FFY29	FFY30	FFY31	FFY32	FFY33	FFY34	
Calendar Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Month	J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D										
State Directed Payments to Hospitals and Nursing Facilities				First 10 Percent Reduction Begins January 2028 Subsequent 10 Percent Reduction Each Juanuary Thereafter Until Payments Reach 100 Percent of Medicare							
Provider Taxes				First 0.5 Percent Reduction Begins in Federal Fiscal Year 2028 With Subsequent Reductions Every Year Until the Rate Reaches 3.5 Percent							
Work Requirements			Start January 1, 2027								
Work Requirement Extension					Work Requirement Extension Upon Good Faith Effort Dec 31, 2028						
Cost Sharing (copays)					Starts October 1, 2028						
6 Month Eligibility Redeterminations			Starts for Renewals Scheduled on or After December 31, 2026								
Retroactive Eligibility Limited to 1 or 2 months			Begins January 1, 2027								

Federal Budget Reconciliation – SNAP Timeline

Timeline -- Federal Reconciliation SNAP Changes

State Fiscal Year	SFY25	SFY26	SFY27	SFY28	SFY29	SFY30	SFY31	SFY32	SFY33	SFY34	
Federal Fiscal Year	FFY25	FFY26	FFY27	FFY28	FFY29	FFY30	FFY31	FFY32	FFY33	FFY34	
Calendar Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Month	JFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMAMJJASOND										
State Match Requirement			Begins in October 2027								
State Match Requirement Delayed Implementation					If Payment Error Rate is Too High Begins in FFY29						
State Match Requirement Delayed Implementation						If Payment Error Rate Continues to Be High Begins FFY30					
Administrative Match Reduction			Federal Share for Administrative Expenses Reduces from 50 Percent to 25 Percent								
Certain Non-Citizens Lose Eligibility			Begins Upon Enactment but Individuals Roll Off as Redeterminations are Made								

HCA FY28 Budget Request: Behavioral Health Services and Income Support

BEHAVIORAL HEALTH SERVICES		61
Prior Year OpBud	**70,230.5**	62
Opioid Revenue for Linkages	5,000.0	63
Opioid Revenue for Supportive Housing	2,168.0	64
Rate Increases	69.6	65
Subtotal Changes	**7,237.6**	66
Subtotal Current Year Base	**77,468.1**	67
% Change from OpBud	**10.3%**	68
INCOME SUPPORT		69
Prior Year OpBud	**132,775.2**	70
Food Banks Non-Recurring to Base	5,000.0	71
SNAP Administrative Match Rate Reduction HR1	6,690.9	72
Rate Increases	549.4	73
Rent Increases	431.0	74
Aspen Deloitte Contracts	1,400.0	75
Subtotal Changes	**14,071.3**	76
Subtotal Current Year Base	**146,846.5**	77
% Change from OpBud	**10.6%**	78

HCA FY28 Budget Request: Program Support

PROGRAM SUPPORT		79
Prior Year OpBud	**53,763.4**	80
KPMG System Integration Interfaces	1,260.0	81
Nex Gen Verification Hub	1,470.0	82
Intelligent Document Processing	1,596.0	83
Aspen New Workflows and Screens	630.0	84
SNAP Administrative Match Rate Reduction HR1	4,224.7	85
DoIT Rate Increases	690.0	86
Other Rate Increases	216.6	87
Aspen Deloitte Contracts	1,400.0	88
Deloitte Child Support Maintenance and Operations	748.0	89
IT Infrastructure and Modernization	392.0	90
Move 5 FTE from OIG to Medical Assistance	(246.3)	91
Subtotal Changes	**12,381.0**	92
Subtotal Current Year Base	**66,144.4**	93
% Change from OpBud	**23.0%**	94

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HCA FY28 Budget Request: Health Care Affordability Fund

- For FY28, the Health Care Affordability Fund Program requested $316.7 million in revenue from the health care affordability fund (HCAF), including:
  - $2.2 million for fund administration,
  - $45.8 million for small business premium reduction,
  - $184.4 million for exchange premium and out-of-pocket assistance,
  - $13.5 million for low-income state employees and national guard members, and
  - $69.6 million for lawfully present immigrants, deferred action for childhood arrivals, and other immigrants.
- An additional $125 thousand was requested for a new initiative for medical debt forgiveness.

HCA FY28 Budget Request: State Health Benefits

- Within the State Health Benefits Program, costs are increasing significantly, with the program requesting an FY28 10.1 percent premium increase on top of a 10 percent premium increase in FY27, and a 20 percent increase in FY26.
- However, the increase is in line with rate increases the state has seen in other health care programs, including:
  - A 16.5 percent managed care rate increase in Medicaid in 2026,
  - A 24.4 percent average premium increase among New Mexico Health Insurance Exchange plans for 2027, and
  - A 15 percent increase for exchange plans nationally requested for 2027.

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For More Information

- http://www.nmlegis.gov/lcs/lfc/lfcdefault.aspx
  - Session Publications
  - Performance Report Cards
  - Program Evaluations