



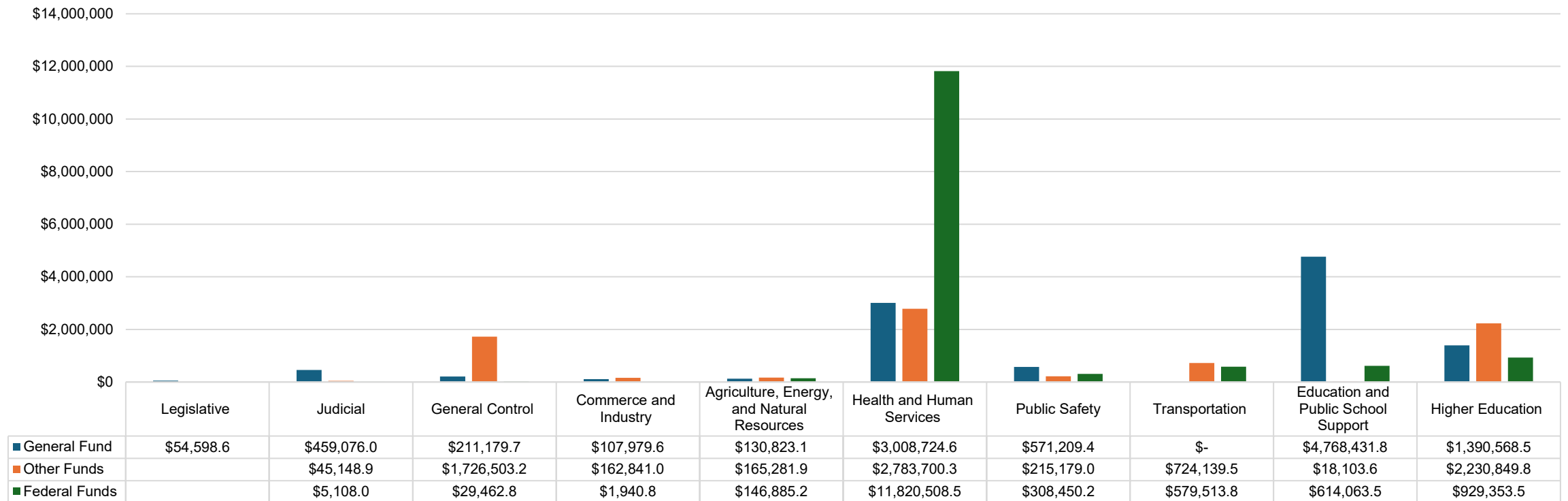
NEW MEXICO
LEGISLATIVE
FINANCE
COMMITTEE

Federal Funds Revenue in State Agencies

Charles Sallee, Director, LFC
Eric Chenier, Principal Analyst, LFC
May 28, 2025

Where is the State Most at Risk for Federal Reductions?

FY26 Revenues by Policy Area
(thousands)



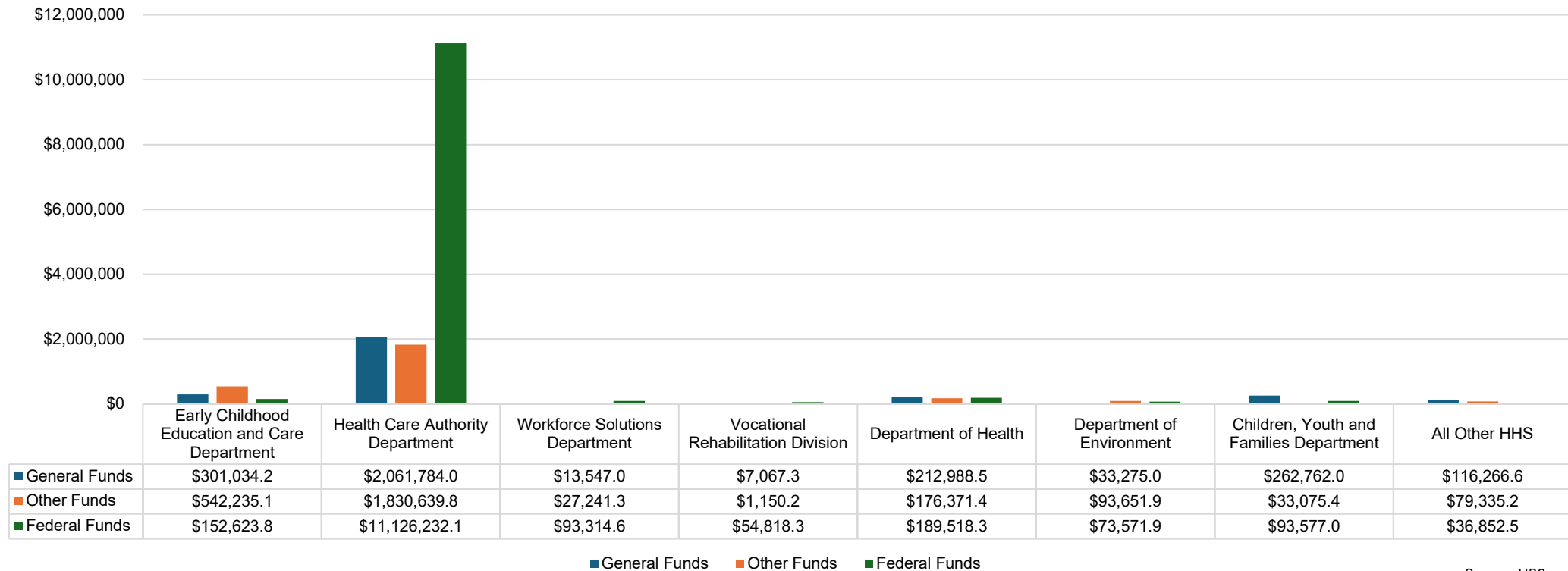
■ General Fund ■ Other Funds ■ Federal Funds

Source: HB2



Where is the State Most at Risk for Federal Reductions?

FY26 Health and Human Services Revenues
(thousands)

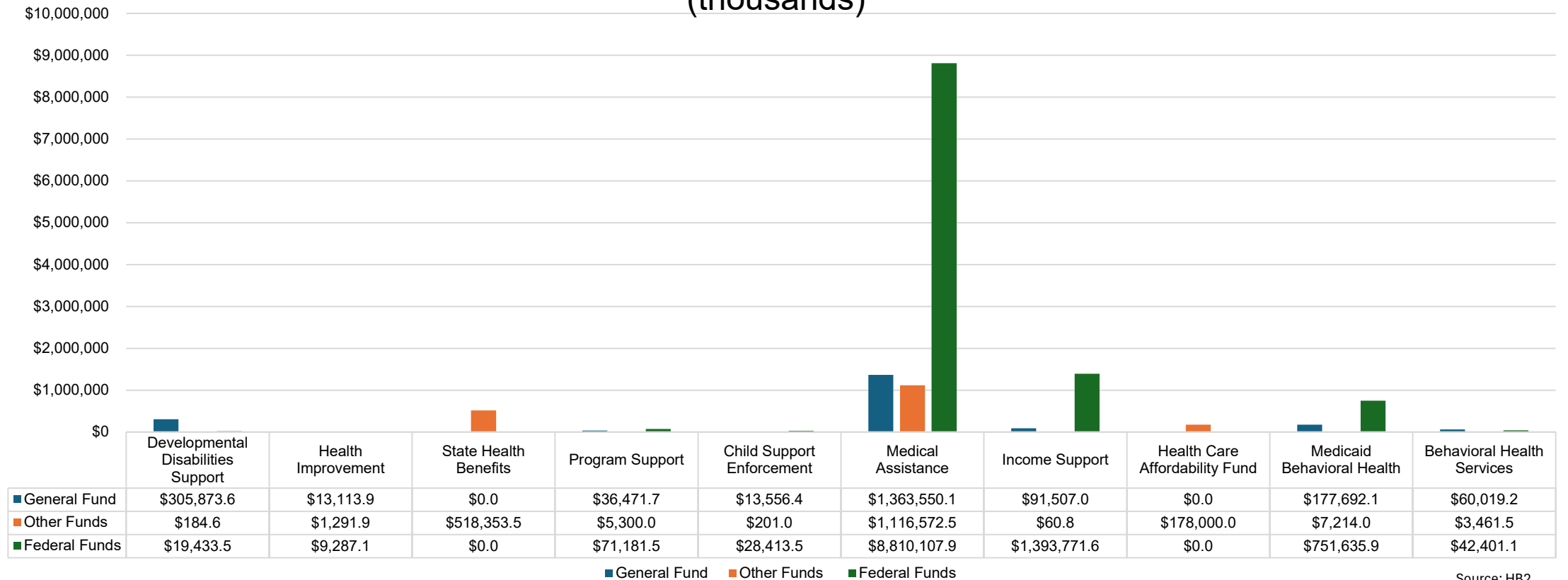


Source: HB2



Where is the State Most at Risk for Federal Reductions?

Health Care Authority Revenue Sources (thousands)



Source: HB2

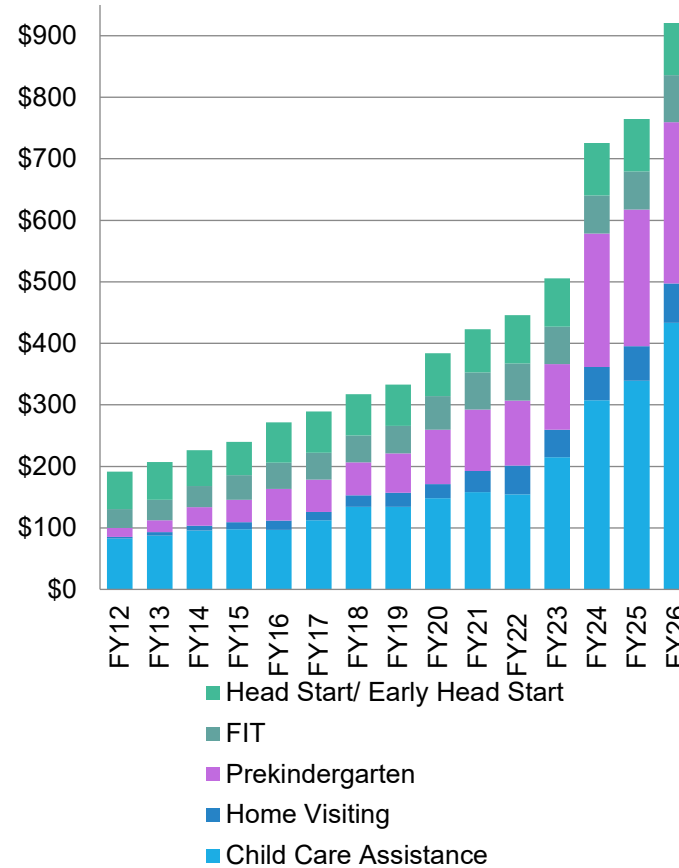


2025 Early Childhood Education Funding

- NM House Bill 2:
 - Increased ECECD recurring funding to \$995.9 million in FY26
 - Federal revenues account for \$152.6 million of the total appropriation
- Most of the federal revenues are centered in the Childcare Assistance and the Family Infant and Toddler programs
- The Health Care Authority also supports early childhood programs with federal Medicaid revenues for home visiting and the Family Infant and Toddler programs



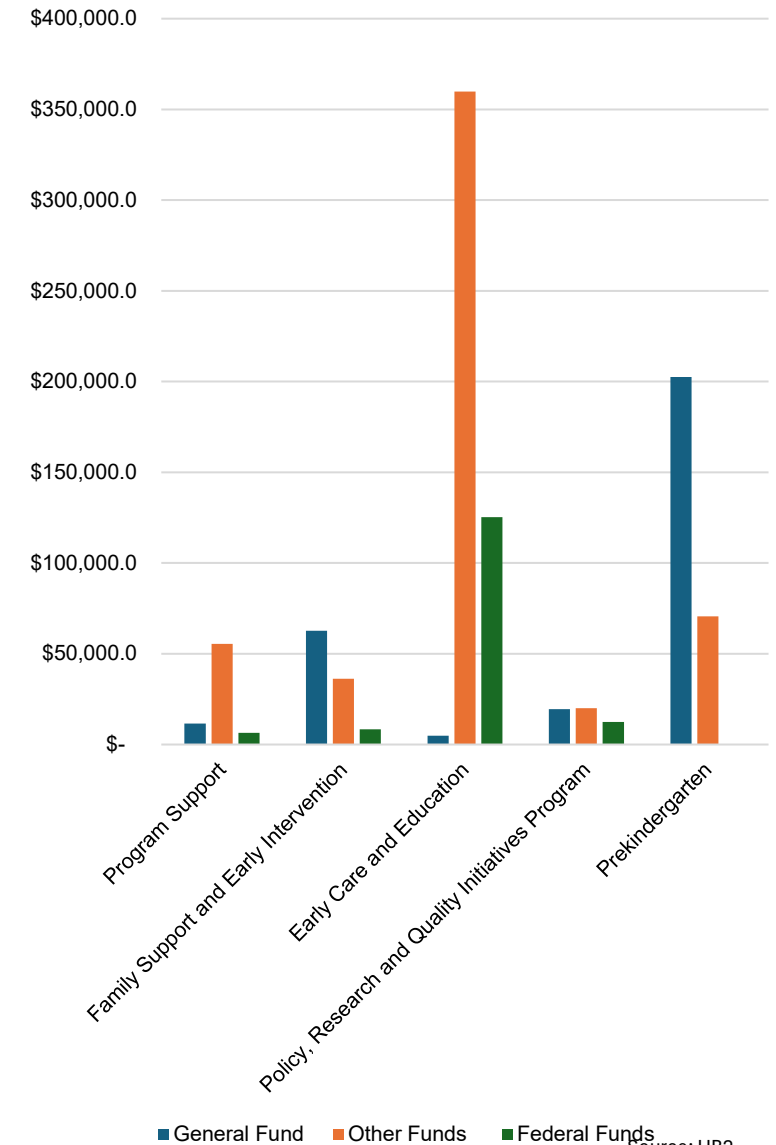
Recurring Early Childhood Funding History* FY12-FY26 (in millions)



*Department administrative appropriations, workforce support funding (\$26 million FY26), GRO, and other miscellaneous appropriations not included.

** Head Start is not in ECECD budget – is a direct federal grant

Early Childhood Education and Care Department Revenue Sources

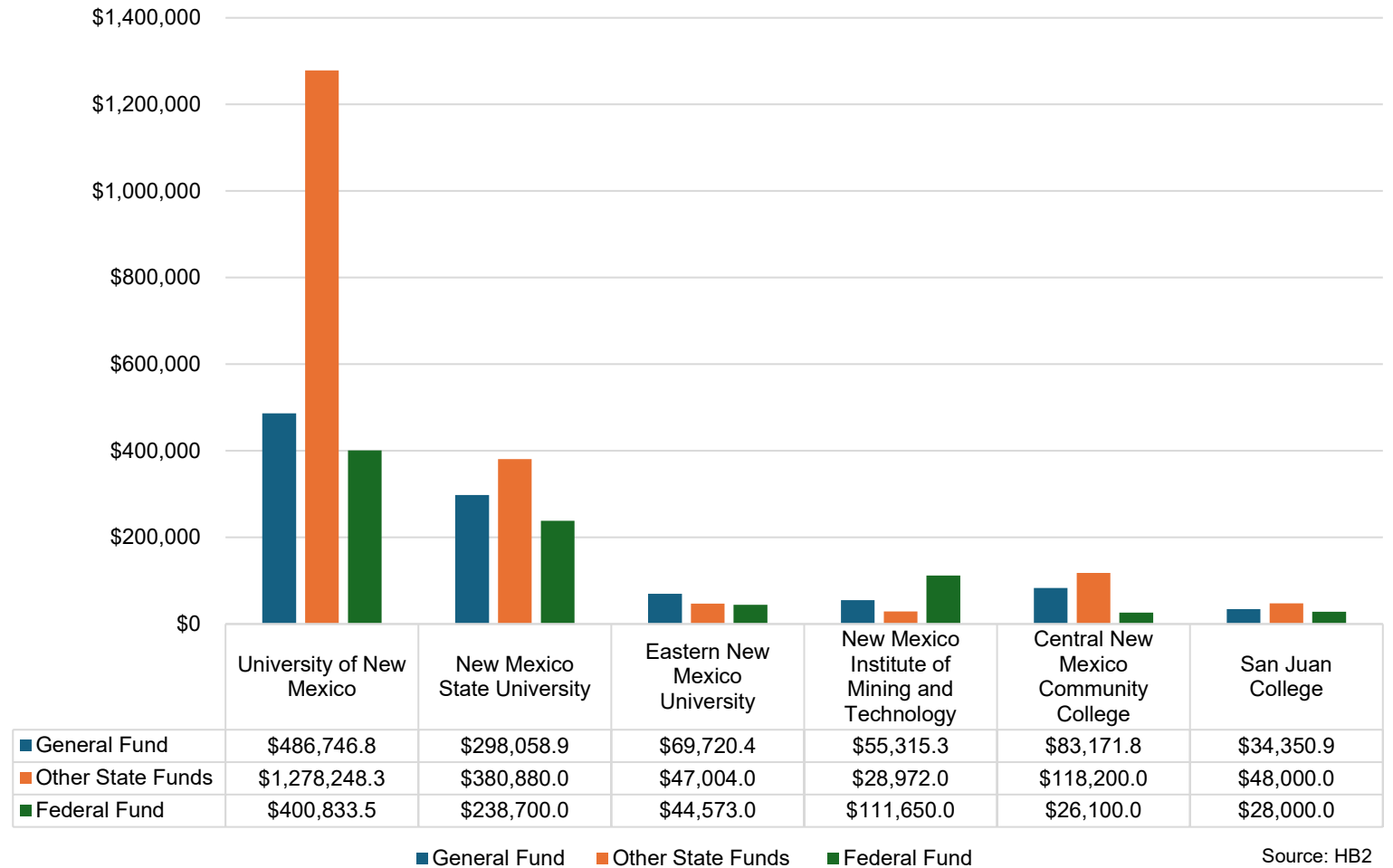


Source: HB2

Higher Education

- Much of the other state funds revenue the University of New Mexico receives is from Medicaid
- As of May UNM reported losing \$36 million, NMSU \$27.2 million, and NM-Tech \$2.5 million in federal grant revenue
- Additionally, the federal government has proposed reducing the indirect portion of grants to 15% from the current rates that can be around 50% of the grant value. This reduction has not been implemented, but would have a significant impact on staffing and other cost recovery if implemented

Higher Education Select Institutions Revenue Sources
(thousands)



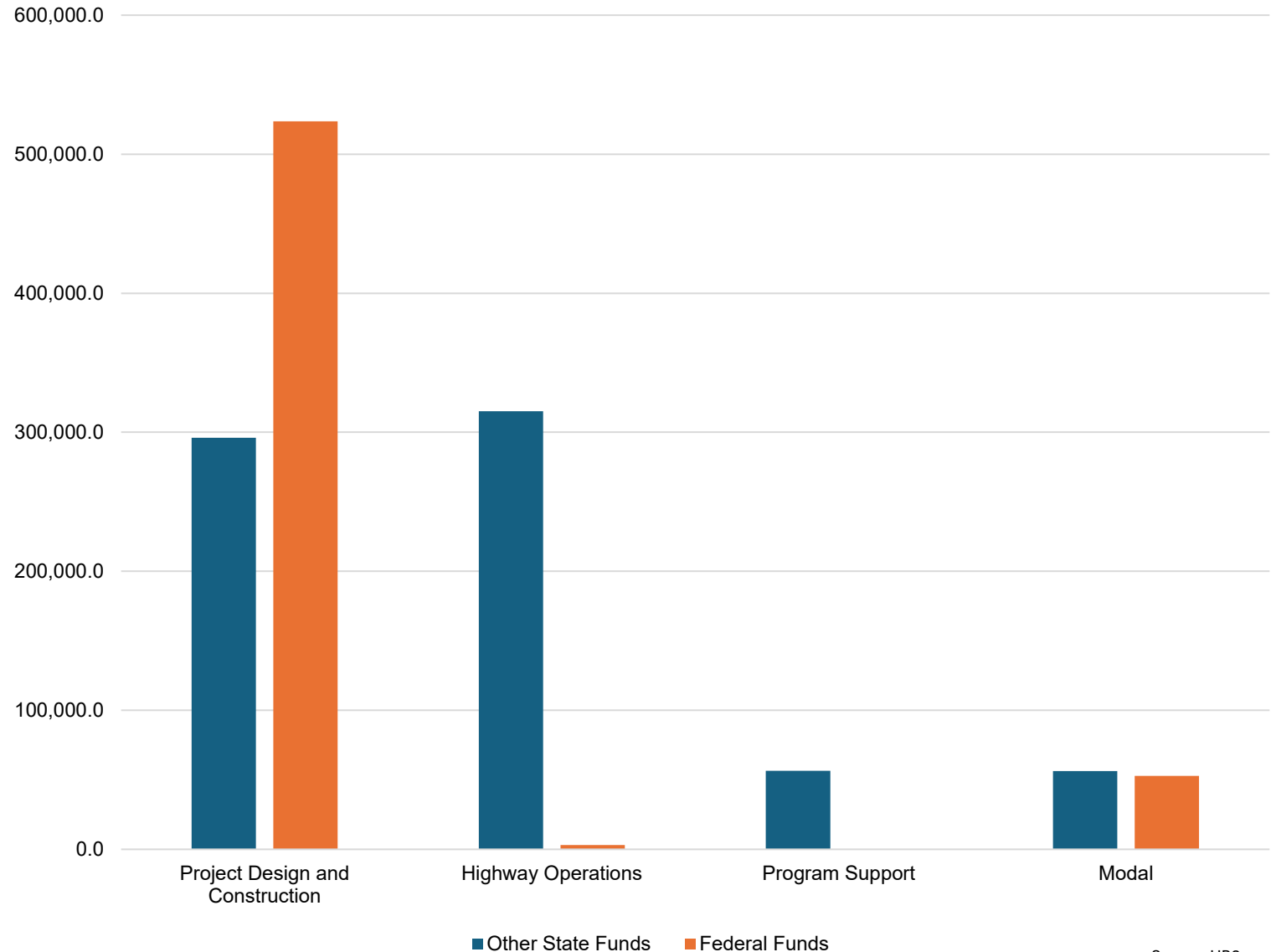
Source: HB2



Department of Transportation

- NMDOT's operating budget includes federal formula allocations for highway construction (Project Design and Construction) and transit (Modal Program). As of earlier this year, NMDOT reported formula funding had not been impacted, with the exception future agreements to build out electric vehicle charging infrastructure.
- The budget blueprint from the White House did not include cuts to formula programs.
- NMDOT indicates it has been told future obligation of some discretionary grant funding has been placed "on hold" by the Federal Highway Administration. The state has some large discretionary grants, including funds to replace the Interstate 25 bridge over Nogal Canyon and for a new highway near the Santa Teresa Port of Entry that could be impacted.

Department of Transportation Revenue Sources
(thousands)



Source: HB2



Department of Health

- Most federal revenues in DOH are in the Public Health and Epidemiology and Response programs.
- DOH has received some federal communications canceling grants. However, the additional federal guidance is forthcoming.

Department of Health Revenue Sources
(thousands)



Source: HB2



Biden Era Legislation

- The reconciliation bill primarily effects grants from the Inflation Reduction Act, rescinding unobligated grant amounts listed to the right.
- The bill does not rescind grants awarded to the state from the Infrastructure Investment and Jobs Act or the Creating Helpful Incentives to Produce Semiconductors Act (CHIPS), according to LFC analysis of Federal Funds Information for States data.
- However, the president's budget proposal would rescind unobligated balances from the National Electric Vehicle Formula Program, of which New Mexico receives \$8.2 million annually.
 - The federal DOT also ended future obligations on the grant.

The House Reconciliation Bill would Rescind Unobligated Amounts from the below Previously Awarded Grants to the State from the Inflation Reduction Act (thousands)				
	FFY2022	FFY2023	FFY2024	FFY2025
State-based home energy efficiency contractor training grants		\$1,534.0		
Climate Pollution Reduction Grants (Planning and Implementation)		\$4,000.0		
Community Change Grants				\$22,990.0
Environmental Justice Collaborative Problem-Solving (EJCPS)			\$500.0	
Fenceline Air Monitoring and Screening Air Monitoring	\$545.0			
Greenhouse Gas Reduction Fund - Zero-Emission Technology	\$156,120.0			
Methane Emissions Reduction Program		\$14,656.0	\$11,989.0	
		Source: LFC analysis of FFIS data		



NEW MEXICO
LEGISLATIVE
FINANCE
COMMITTEE

For More Information

- <https://www.nmlegis.gov/Entity/LFC/Default>
 - Session Publications – Budgets
 - Performance Report Cards
 - Program Evaluations

325 Don Gaspar – Suite 101
Santa Fe, NM 87501
505-986-4550

Federal Funding for Public Education

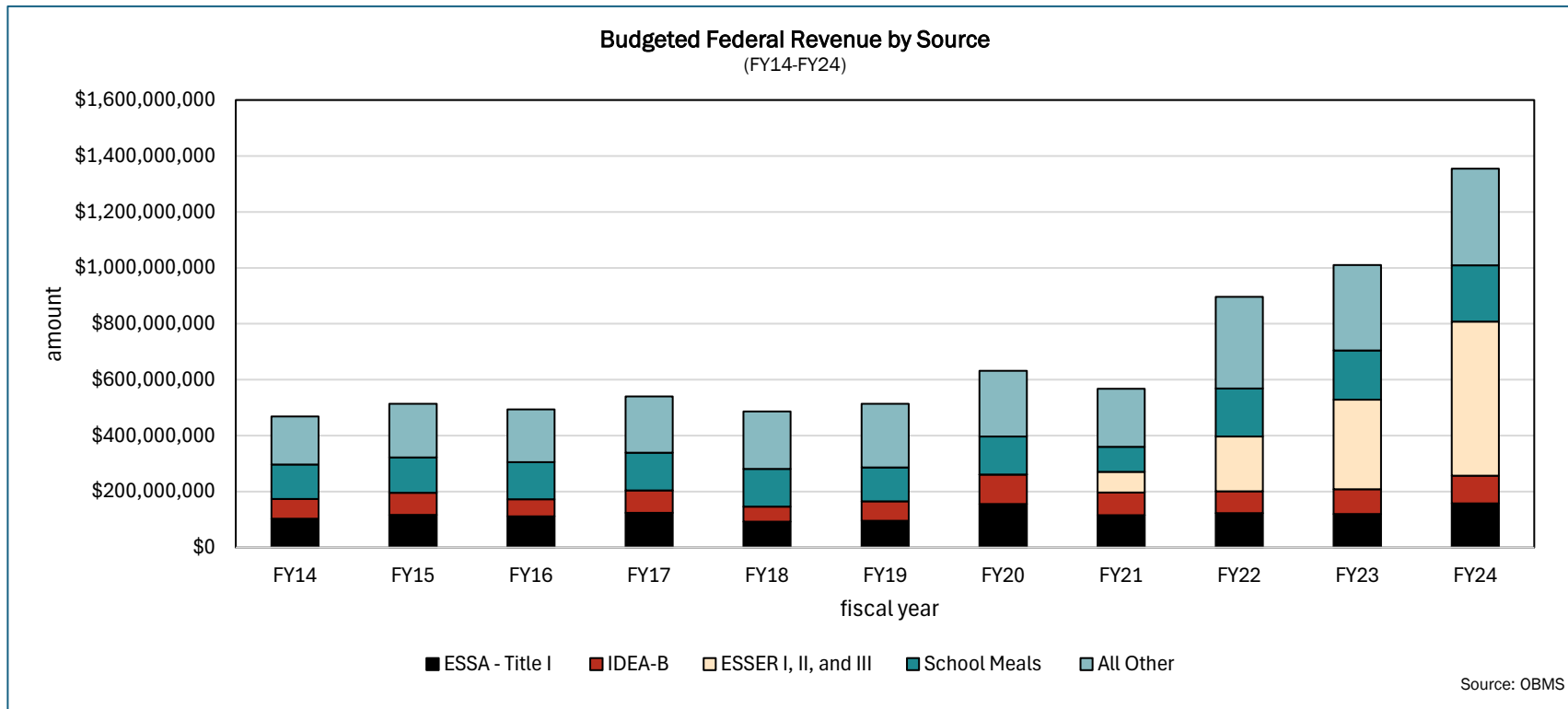
May 28, 2025



John Sena | John.Sena@nmlegis.gov

Background

Federal funding has grown, largely driven by pandemic-related funding.



Primary Federal Funding by Source

Federal Funding Stream	Estimated Distributions for 2025
Title I-A (Low-Income)	\$147,595,262
Title I-B (Assessments)	\$4,347,020
Title I-C (Migrant)	\$1,001,019
Title 1-D (Neglected & Delinquent)	\$147,667
Title II-A (Professional Learning)	\$17,985,911
Title III-A (English Learners)	\$6,074,909
Title IV-A (Student Support)	\$10,648,421
Title IV-B (21st Century Learning Centers)	\$10,202,693
Title V-B (Rural Education)	\$834,249
IDEA-B Entitlement (Special Education)	\$110,073,729
Carl Perkins (CTE)	\$10,738,223
School Meals	\$202,510,000
Title VII (Impact Aid)	\$111,439,399
TOTAL OF PRIMARY FUNDING SOURCES	\$633,598,502

Source: U.S. Department of Education State Tables

Federal K-12 Public Education Proposals

- The administration submitted a preliminary budget proposal to Congress that includes structural changes to public education funding streams and revisions to funding amounts, including:
 - Flat funding for Title I;
 - Flat funding for IDEA and a consolidation of IDEA programs; and
 - Consolidation of formula awards and reducing \$4.5 billion.
- The administration will submit its FY26 budget request to Congress in early June, and appropriations will depend on congressional action.
- Current continuing resolution expires September 30, 2025 ([PL 119-4](#))

Title I – Part A

- **Purpose:** May distribute a preliminary award of \$121.0 million for FY26 for low-income students.
- **Allowable expenses:**
 - Credit recovery;
 - Counseling and school-based mental health programs; and
 - Instructional Materials.
- **Staff Highlight:** A state-level mechanism for distributing block grants may be needed.

Title II – Part A

- **Purpose:** May distribute a preliminary award of \$14.9 million in FY26 for professional development.
- **Allowable expenses:**
 - Salaries and benefits for instructional coaches;
 - Differentials for recruitment and retention in high-need areas; and
 - Materials and supplies.

Staff Highlight: Administration has flexibility in changing some funding levels.

Title III

- **Purpose:** May distribute a preliminary award of \$4.7 million in FY26 to support proficiency in English.
- **Allowable expenses:**
 - Professional development;
 - Family engagement; and
 - Instructional materials.
- **Staff Highlight:** The administration may eliminate the Office of English Language Acquisition and has recommended terminating grant funding.

Other ESSA Funding Sources

Federal Funding Stream	Amount	Purpose
Title IV-A (Student Support)	\$10.6 million	Supporting a well-rounded education, improving school conditions, and improving the use of technology.
Title V-B (Rural Education)	\$3.4 million	Supporting rural school districts and charter schools.
Title VII (Impact Aid)	\$111.4 million	Supporting school districts and charter schools on tribal land or other federal land.

Source: U.S. Department of Education State Tables

IDEA – Part B (Entitlement)

- **Purpose:** May distribute a preliminary award of \$84.1 million in FY26 for students with disabilities.
- **Allowable expenses:**
 - Salaries and benefits for special education personnel;
 - Contractual costs for student evaluations; and
 - Professional learning.
- **Staff Highlight:** IDEA programs recommended for consolidation.

School Meals Program

- Section 22-13C-4 NMSA 1978 requires students receive a free breakfast and lunch.
- The school meals program may generate \$202.5 million in federal reimbursements in FY25, with approximately \$48.8 million in state costs supported by the general fund.
- Statutory or regulatory changes to the community eligibility provision or revisions to SNAP and Medicaid eligibility may require the state to backfill any forgone federal reimbursements.

Federal Funding Lost for Public Education

Federal Funding Stream	Amount	Purpose
ESSER	\$12.3 million	Responded to pandemic-related impacts on students and currently in litigation.
Teacher Quality Partnership Program	\$5.1 million	Supported residency programs, with 68 people impacted by lost stipends, coaching, and mentoring.
School-Based Mental Health Services	\$5.0 million	Supported behavioral health programs at Silver City and the Central REC, with 18 positions at risk.

Source: LESC Files

Recent Legislative Action

- For FY26, the Legislature appropriated \$4.5 billion to the State Equalization Guarantee, an increase of \$327.3 million, or 7.8 percent.
- Strong below-the-line investments have continued in professional development, targeted compensation, and support for at-risk students.
- [House Bill 63](#) will shift reliance on federal data and guidance.
 - Revisions to the At-Risk Index; and
 - Statutory guidance for English learner funding.
- Data sovereignty will be critical in tracking student performance.

Future Budget Considerations

- The Legislature should develop a framework for evaluating its response to federal funding decisions, including:
 - Assessing whether a grant is supplementing state appropriations;
 - Determining whether a grant should be backfilled, and
 - Evaluating whether backfilling should be recurring or non-recurring.
- There may be statutory barriers to backfilling grants that were awarded to specific entities.

Future Policy Considerations

- The Legislature should assess whether traditional functions and guidance of the federal government should be codified in state statute.
- Areas of focus for LESC staff may include:
 - Special Education;
 - State-Level Accountability; and
 - Data sovereignty.
- There should be a focus on strengthening agency capacity to measure and evaluate student performance.

Thank You