



LFC Newsletter

A publication of the Legislative Finance Committee

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Senator George Muñoz, Vice Chairman
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From the Chairman Superpower

New Mexico is a rising star in the energy sector. Second in crude oil production and solar energy potential, third in natural gas, and home to the Western hemisphere's largest clean energy project, we are a major player in national markets today and leading the way toward a sustainable energy future. Our energy industry is also essential to the state's economy.

When the committee meets in Hobbs this month, we will be in the heart of one of the most productive oil fields in the world—the Northern Delaware part of the Permian Basin. Increased oil production in the Permian Basin is the driver behind New Mexico's 2 million barrel-a-day oil production, a volume double that of 2020 and six times the levels of a decade ago, according to the federal Energy Information Administration.

And the oil and gas industry contributes billions to New Mexico state government accounts every year. In just the last few months, oil companies paid more than \$400 million just for the right to sign a lease to drill for oil on state trust land in the Permian Basin. At the same time, we have significantly increased funding for state agencies to ensure these companies are complying with New Mexico's robust rules and regulations.

Some members will see evidence of New Mexico's healthy energy industry well before they get to Hobbs.

Those passing through Torrance or Lincoln counties might see parts of SunZia Wind farm, anchor for the largest clean energy project in the Western Hemisphere. Anyone traveling I-25 between Las Lunas and Las Cruces will see the new SunZia transmission lines. Those coming through Luna County might see the 50 megawatt First Solar array, the state's largest array project on 440 acres of trust land.

Once they get to Hobbs, members might catch a glimpse of the solar array built by Chevron to save money on oil production and reduce demand on local power grids. Soon Hobbs will also be home to the Crossroads-Hobbs-Roadrunner transmission line, which will bring renewable electricity to the region to help reduce emissions.

The Energy Information Administration reports renewable energy is the single largest source of in-state electricity generation in New Mexico; wind alone generates 37 percent of the energy used in state.

Renewable energy is often seen as in conflict with the oil and gas industry, but, in fact, New Mexico's burgeoning solar arrays and wind farms—its possible geothermal, fusion, and hydrogen resources—are complements to the already powerhouse oil and gas industry. Fostering both will help build New Mexico's economy and contribute to New Mexico's reputation as a leader in energy production.

Representative Nathan Small
Chairman

Medicaid Investments Not Yet Paying Off

Despite spending more to provide healthcare to fewer New Mexicans, quality and access in the Medicaid program have changed little, LFC analysis shows.

In the *2025 Accountability Report on Medicaid*, scheduled to be presented to the committee at 9:30 a.m. September 23, staff conclude agency performance on various measures has either stayed the same or has deteriorated since the 2023 accountability report.

The number of New Mexicans enrolled in the Medicaid healthcare program is down almost 20 percent from the pandemic high of 1 million in FY23, but costs, shared by the state and federal governments, are up by almost \$2 billion to \$11 billion.

Significant investments include at least \$2.2 billion in the past five years to subsidize startup costs for new services and for higher rates for healthcare providers, with the most significant increases in rates scheduled for FY25.

New Mexico's rates for behavioral health and physical health are higher than those in bordering states for almost all services, with rates for physical

health services up to 186 percent higher and rates for behavioral health services up to 325 percent higher than in neighboring states.

The increased rates and startup subsidies were intended to improve access to healthcare by attracting healthcare providers to New Mexico and encouraging the creation of certain services. Instead, the accountability report finds access has deteriorated slightly, although most rate increases have only been in place for a year and the impact is not yet known.

Between 2022 and 2024, New Mexico lost about 1,500 Medicaid behavioral health providers.

In addition, an LFC secret shopper study in August found the average patient would have to make six to seven calls to schedule a new patient appointment with a primary care provider and 14 calls to establish care with a new behavioral health provider.

Just 16 percent of calls to a primary care providers and 6 percent of calls to a behavioral health provider resulted in the offer of an appointment, the same as in a 2023 LFC secret shopper survey.

Outstanding Capital Funds Totals \$7.2B

Outstanding balances on capital outlay projects totaled \$7.2 billion at the end of FY25 on June 30, with 6,500 projects active, LFC analysis indicates.

In the *Capital Outlay Quarterly Report* presented to the committee in August, staff report 4,182 of the active projects—74 percent—are “local,” construction and equipment purchases selected by individual legislators and the governor. The remainder are higher education and statewide projects and projects that were reauthorized when funding was about to expire.

About 60 percent of the funds are for projects authorized by the Legislature, while slightly over a quarter is for public school construction. The remainder is for water, tribal, and housing projects and projects for the substandard communities called colonias, which receive earmarked severance tax bond proceeds, and special projects funded by the Legislature from surplus

funds in 2021 and 2022.

Among the nearly 300 projects with no activity, no or minimal reporting, a recent reauthorization, significant challenges or delays, or significant unspent funds:

- Three appropriations totaling \$33 million for a new magistrate court in Santa Fe;
- \$30 million for the Higher Education Department literacy building;
- \$20.6 million in balances remaining on a \$24.2 million general obligation bond package for senior centers approved by voters in 2022;
- \$13.8 million in balances remaining on a \$15 million appropriation for a state office building;
- \$8.4 million in balances remaining on a \$9.2 million appropriation for the Department of Information Technology renovation project;
- \$1.2 million in balances remaining on a \$2 million appropriation for the Spaceport America taxiway.

Agencies Ask for \$614M More for Ongoing Costs

State agencies—excluding colleges, public schools, and some legislative agencies—are asking for \$616 million more in general fund recurring funding for the fiscal year that starts July 1, 2026, for an average increase of 10 percent.

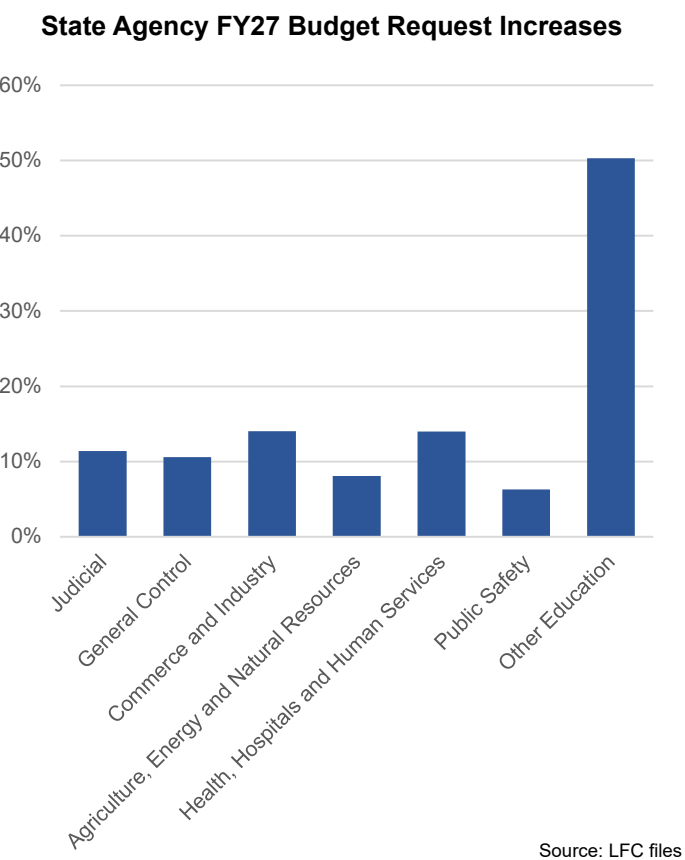
The Health Care Authority submitted the request for the largest dollar increase in recurring funding from the general fund—\$188 million, or 9.1 percent.

The second largest dollar increase is in the request from the Early Childhood Education and Care Department, which asked for \$156 million more, or 51.5 percent.

The Public Education Department asked for \$47 million more for special projects, a 69 percent increase, the largest percentage increase among the requests.

The second highest percentage increase is in the budget request from the Department of Information and Technology. DoIT is asking for \$6.7 million more, or 65 percent.

The numbers do not include budget requests from higher education institutions, which received \$1.4 billion for the current fiscal year, or statewide public school support, which totaled about \$4.7 billion this year. Together, those two appropriations represent more than half of all general fund spending in the budget. The education budgets are finalized later in the fall under state law.



On the Table

General Fund Pool Balance Up 9%

The general fund investment pool—made up of unspent general fund revenues, unspent bond proceeds for capital outlay projects, and certain revenues held in suspense funds until they’re dispersed—had a \$10.4 billion balance at the end of August, up 9 percent from last year. The balance did not include \$1.2 billion disbursed to the early childhood trust fund, severance tax permanent fund, and behavioral health trust fund.

College Grads Seeking Jobs

Unemployment for recent college graduates has been higher than that of the overall workforce in 73 of the 81 months since October 2018. Between 1990 and 2018, the unemployment rate among recent colleges exceeded the overall rate only five months out of 365.

Medicaid Enrollment Down

August Medicaid enrollment was 807 thousand, down about 200 thousand from the pandemic peak and about 80 thousand from the Health Care Authority’s January projection.

Foster Care Prevention Plan Submitted

The Children, Youth and Families Department in August submitted an updated Family First Prevention Plan to the federal government, but issues that kept the initial plan from getting approved in 2022—and prevent the state from getting federal funds—remain. The agency has struggled to gain approval for the plan primarily because the agency has repeatedly submitted plans that use foster care prevention and intervention programs that are not included among those eligible for federal reimbursement. Although the latest plan includes two reimbursable programs, SafeCare and Motivational Interviewing, the program that remains the New Mexico model of choice, Family Connections, is not reimbursable.

New PFAS Rules To Be Released

The Environment Department is scheduled in late September to release draft rules regulating the use of the group of chemicals known as PFAS, associated with environmental contamination and health problems. The new rules, required under legislation enacted earlier this year, will specify which consumer and nonconsumer goods will be removed from sale or phased out in New Mexico, how products containing PFAS will be labeled, and how the law will be enforced. The Environmental Improvement Board will hold public hearings on the draft rules before they are adopted. PFAS are a diverse group of widely used chemicals often called “forever chemicals” because of how slowly they break down.

Schools Get Chance to Test E-Buses

The Economic Development Department has spent \$5.4 million of its \$7.8 million one-time appropriation from the community benefit fund on a two-year contract with GreenPower Motor for a pilot project to deploy six electric school buses in 2026 and 2027. The electric buses will rotate through school districts for six weeks and will be awarded to districts at the end of the school year. Any school district can apply.

Transitions

LFC Principal Analyst Cally Carswell was selected for Leadership New Mexico’s 2025 core program class. The 43-member class of public, private, and nonprofit leaders completed its first session of the 10-month program in Santa Fe in September. The Children, Youth, and Families Department has hired former Health Secretary Kathy Kunkel as a deputy secretary responsible for compliance with the Kevin S. settlement and former Secretary of the Maryland Department of Human Services Brenda Donald as chief operating officer, a newly created position.



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