



2026 Federal Funds Overview Update

Federal Funding Stabilization Subcommittee

June 29, 2026

Representative Patricia A. Lundstrom, Co-Chair

Senator Cindy Nava, Co-Chair

Types of Federal Funding

Types:

- **Block Grants** provide fixed funds for broad purposes, based on formulas in authorizing laws (e.g., HUD CDBG grants).
- **Competitive (Discretionary) Grants** are awarded through a competitive process (e.g., HUD Youth Homelessness, solar energy grants).
- **Formula Grants** are allocated based on criteria set by Congress (e.g., DOJ Byrne Justice Assistance Grants).

Characteristics of Certain Block/Competitive/Formula Grants:

- Funding for specific projects with detailed application requirements (e.g., HHS Family Violence Prevention Grants).
- Grants that require state/tribal/local cost-sharing (e.g., RHS Community Facilities Disaster Repair Grants).
- Funding that requires the recipient to meet certain federal conditions (e.g., DOT highway funds tied to a minimum drinking age of 21)

How federal funds make their way to New Mexico

The four major federal funding flows into New Mexico include:

Direct Payments – to individuals and the state.
Examples: Social Security, federal retirement, Medicare, SNAP, etc. Federal Royalty Rates.

Grants – to state and local governments to carry out federal programs.
Examples: Medicaid, highway programs and education assistance.

Procurement – federal purchase of goods and services.

Salaries/Wages – paid to federal military and civilian employees

The two primary methods of receiving payment are:

Reimbursement – The state is paid back or reimbursed for eligible expenses after the entity meets the eligibility requirements of the specific program/grant.

Advance payment – The state receives a portion of the eligible funds upfront and requests the remainder on a reimbursement basis.

Specific grant guidelines, the recipient's fiscal governance, and the nature of the project influence payment methods.

DFA's Federal Working Group:

Monitoring Delays & Reductions

Federal Funds Tracking Working Group

Established through the State Controller's Office in January 2025.

Convenes to:

- Discuss the federal funding landscape.
- Share notices, letters, and information from federal entities.
- Support compilation of accurate data related to updates on payments, delays, terminations, pauses, or other disruptions to the flow of federal funds.
- Identify and monitor specific grants of concern.

Monthly Meetings with Agency CFOs

Hosted by the Controller's Office to focus on:

- Sharing federal funding trends.
- Providing guidance and best practices for navigating funding issues.

DFA Internal Working Group

Reviews:

- All federal grants.
- Executive orders.
- Cancellation notices.
- Potential changes in federal legislation.
- Compiles a list of discontinued grants.
- Develops recommendations to include state funding in future budgets for critical programs losing federal support.

Coordination with State Budget Division

Ensures agencies:

- Monitor their federal funds.
- Manage budgets, staff, contractors and programs effectively when federal funds are revoked or delated.
- Collaborates with agencies to identify alternative funding sources for terminated grants.

DFA's Federal Working Group:

*Update on Terminated Grants***

\$177.4M in terminated grants at State Agencies:

- Digital Equity Planning at OBAE: \$8.7M
- Various Workforce Solution grants at DWS: \$8.6M
- Building Resilient Infrastructure and Communities grant at DHSEM: \$4M
- Various public safety grants at DPS: \$80.1k
- USDA food assistance at NMSU/NMDA: \$2.8M
- Solar For All – EMNRD: \$155.9M
- GEAR UP – HED: \$1.4M

**There have been attempts to terminate other grants that have been prevented by court order

FEDERAL REPORTING & COMPLIANCE

Protecting Federal Funding – Strengthening Compliance – Reducing Risk

The Federal Reporting and Compliance Bureau is a key point of contact for agencies on matters related to federal grant compliance, federal reporting, and audit coordination. We are prioritizing opportunities to develop and strengthen agencies across the state who are subject to a Single Audit.

HIGHLIGHT

How we support agencies:

- Reduce and resolve federal audit findings
- Provide one-on-one compliance and accounting guidance
- Interpret and operationalize federal grant requirements
- Strengthen internal controls and documentation
- Conduct internal compliance reviews and risk assessments
- Assist with federal reporting systems and audit coordination



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The state of New Mexico is awarded over \$14 Billion in federal funding annually, distributed across more than 60 agencies. 43 of those agencies are subject to a Single Audit, requiring rigorous compliance, reporting, accuracy, and internal controls.

Federal funding supports critical initiatives including infrastructure, rural development, research, and public health, making compliance and stewardship essential.

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CONTACT US

FOR MORE INFORMATION OR ASSISTANCE

Department of Finance and Administration
Lauren Conley
Email: Lauren.Conley@dfa.nm.gov
Phone: 505-500-9865

Appendix: Additional Resources

Potential Federal Funding Impacts

Federal funding changes have come in three main methods:

Delays

Federal funding distributions have been delayed due to staffing shortages and administrative bottlenecks within federal agencies.

These delays often impact grant reimbursements, contract execution timelines, and the launch of state-level programs.

Cancellations

Some federal funding streams have been terminated outright by federal agencies due to shifting national priorities or policy changes.

However, several of these cancellations have been temporarily halted by court injunctions as legal challenges are resolved.

Reductions

Federal distributions have been reduced through policy revisions, updated formulas, or rescissions of previously awarded funds.

These reductions often require the state to backfill funding or scale back the scope. The state is aware of potential reductions, but nothing is concrete.

FY27 New Mexico Federal Budget

Total State Budget:
\$33.49B

Total Federal Funding:
\$13.45B (40.1%)

Agency	Total Budget	Fed Budget	% Fed Budget
ALTSD	100,494.5	14,660.9	14.6%
CYFD	411,814.8	84,518.0	20.5%
DHSEM	208,280.3	33,132.7	15.9%
DOW (DGF)	60,902.1	17,303.4	28.4%
DMA	36,779.9	25,771.6	70.1%
DOH	689,970.6	227,403.0	32.9%
DOT	1,438,716.5	590,151.0	41.0%
DVR	66,456.5	58,237.9	87.6%
DWS	140,355.4	97,490.8	69.4%
ECECD	1,204,948.8	176,071.1	14.6%
EMNRD	256,878.1	149,957.6	58.4%
HCA	14,278,371.8	10,226,671.8	71.6%
NMED	224,826.5	83,758.0	37.3%
NMSU	978,772.4	252,400.0	25.8%
PED	71,667.5	35,802.6	50.0%
PSS	5,400,548.4	579,500.0	10.7%
UNM	2,320,194.0	409,654.2	17.7%

FY27 New Mexico Federal Budget

Notable Federal Allocations FY27 budget

- **HCA:** \$8.6B Medicaid, \$1.4B income support
- **ECECD:** \$160M for Child Care Development Block Grant and food program
- **DOH:** \$123M public health grants, \$58M epidemiology grants
- **EMNRD:** \$45M Forestry, \$32M Oil Conservation
- **CYFD:** \$76M protective services funding
- **DWS:** \$26M employment services, \$30M Workforce Innovation and Opportunity Act

State Employees

FCD is monitoring the impact on state employees salaries funded with federal funding.

- 2,015 employees 100% funded by federal dollars
- 3,830 employees partially funded by federal dollars
- 5,845 total employees funded by at least a portion of federal dollars