

**MINUTES
of the
FIRST MEETING
of the
FEDERAL FUNDING STABILIZATION SUBCOMMITTEE**

**May 28, 2025
State Capitol, Room 307
Santa Fe**

The first meeting of the Federal Funding Stabilization Subcommittee was called to order by Representative Patricia A. Lundstrom, co-chair, on May 28, 2025 at 9:03 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Patricia A. Lundstrom, Co-Chair
Sen. William P. Soules, Co-Chair
Rep. Cathrynn N. Brown
Rep. Mark Duncan
Rep. Raymundo Lara
Sen. George K. Muñoz
Sen. James G. Townsend
Sen. Pat Woods

Absent

Rep. Susan K. Herrera
Sen. Linda M. Trujillo

Advisory Members

Sen. Linda M. López
Sen. Cindy Nava

Staff

Clinton Turner, Fiscal Policy Analyst, Legislative Council Service (LCS)
Sabina Gaynor, Staff Attorney, LCS
Nicole Waguespack, Researcher, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the subcommittee meeting, which can be found at www.nmlegis.gov, under the "Webcast" tab. The presentations made and subcommittee discussions for agenda items can be found on the recorded webcast for this meeting.

Wednesday, May 28

Welcome and Introductions (9:03 a.m.)

Representative Lundstrom welcomed everyone and subcommittee members introduced themselves.

Federal Funds in New Mexico's State Budget and Public Schools (9:10 a.m.)

Wayne Propst, secretary, Department of Finance and Administration; Charles Sallee, director, Legislative Finance Committee (LFC); and John Sena, director, Legislative Education Study Committee, participated in a panel on the impact of the changes in federal funds on the state's budget and public schools. Mr. Propst discussed the amount of federal dollars that went toward the state's budget and considered the state's reliance on federal dollars in the provision of services to New Mexico residents. He highlighted the numerous state employment positions funded by federal funds. Mr. Propst then briefly discussed the impacts of the 2025 federal budget reconciliation on public benefits programs, focusing on significant cuts in the federal Supplemental Nutrition Assistance Program and on Medicaid. He mentioned the importance of strengthening information sharing in state government and focusing on gaps in funding. Representative Lundstrom asked Mr. Propst to inform the subcommittee throughout the interim of any litigation to which the state is a party that develops in light of changes in federal funding.

Mr. Sallee focused on federal funding revenue in state agencies and the need for the subcommittee to focus on the cancellation of federally funded grants and programs. He encouraged the subcommittee to prioritize funding with General Fund dollars the programs that provide the most output to the state. Mr. Sallee then asked Eric Chenier, principal analyst, LFC, to briefly inform the subcommittee of where federal dollars can be seen in the state's budget. Following this, Mr. Sena focused his discussion on federal funding reduction impacts on K-12 education and how the LFC is tracking the changes in those funds. Mr. Sallee highlighted the impact in the changes in administration of federal funds and considered strategies for the state to fill in gaps in federal funding. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=5/28/2025&ItemNumber=1>.

Medicaid and Federal Supplemental Nutrition Assistance Program Financing 101 (11:03 a.m.)

Mr. Chenier and Allegra Hernandez, senior fiscal analyst, LFC, provided a presentation on funding for Medicaid and the federal Supplemental Nutrition Assistance Program. Mr. Chenier provided a broad overview of Medicaid and the number of enrollees in the state and state expenditures on Medicaid. He highlighted that about 80% of Medicaid spending is funded by federal funds and also highlighted the growth in state Medicaid spending. Ms. Hernandez focused on the Health Care Delivery and Access Act, which will infuse \$1.3 billion into state hospitals. Mr. Chenier then spoke about the proposed federal changes to the federal Supplemental Nutrition Assistance Program, specifically the requirement for states to match payments. Currently, the federal government pays 100% of Supplemental Nutrition Assistance

Program benefits and 50% of the administration costs. A full list of the changes can be found in the slides linked below. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=5/28/2025&ItemNumber=2>.

Overview of Federal Budget and Reconciliation Status (1:01 p.m.)

Mr. Sallee provided a presentation regarding the federal budget generally and the 2025 federal budget reconciliation and what it means for New Mexico's budget. Mr. Sallee highlighted the \$1.9 billion federal budget deficit for fiscal year 2024 and the difficult task of balancing that budget. Mr. Sallee then discussed the budget reconciliation process, which allows the federal government to align spending, revenue and the debt limit with agreed upon targets, and the federal congressional instructions for increasing federal debts for the 2025 federal budget reconciliation. Finally, Mr. Sallee emphasized that the 2025 federal budget reconciliation would greatly impact New Mexico's finances, with the largest risk being cost-shifting of federal Supplemental Nutrition Assistance Program benefits and administrative costs to the state. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=ZFFSS&Date=5/28/2025&ItemNumber=3>.

Proposed Interim Work Plan and Meeting Schedule (1:47 p.m.)

Mr. Turner presented the subcommittee's proposed 2025 interim work plan and meeting schedule to the members, and members provided feedback on topics that they would like addressed during the interim. On a motion duly made and seconded, the 2025 proposed work plan was approved.

Adjournment

There being no further business before the subcommittee, the meeting adjourned at 2:06 p.m.