

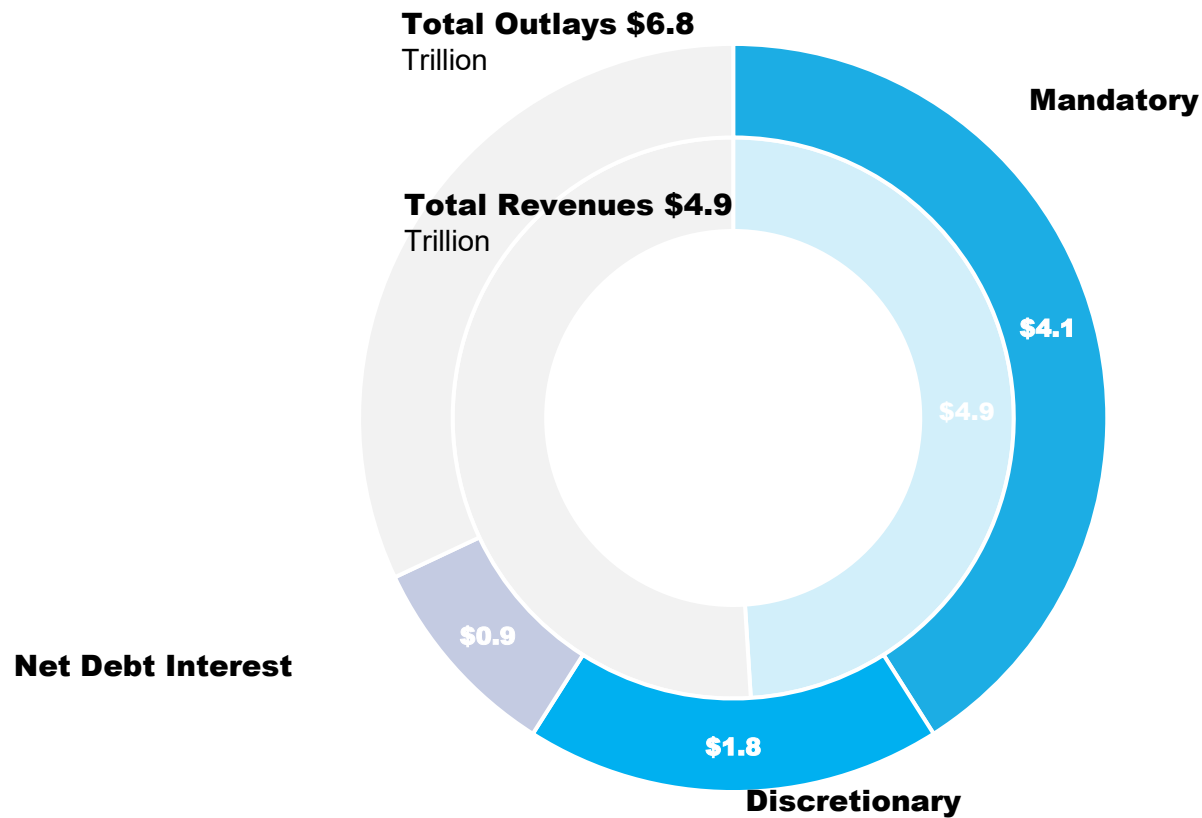


Federal Budget Overview

Charles Sallee, Director, Legislative Finance Committee
October 2025

Federal Budget – \$1.9 Trillion Deficit

Federal Budget - FY24



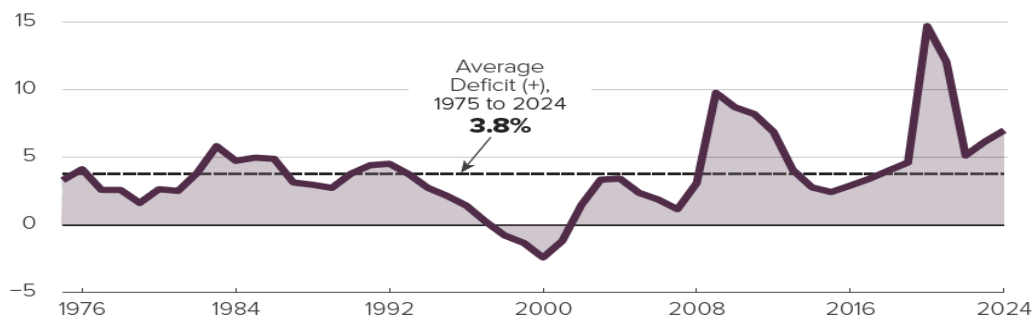
Source: CBO

Federal Budget Deficits & Debt

Deficits and Debt

Federal Deficits or Surpluses, 1975 to 2024

Percentage of GDP



**Annual Deficit:
Amount by Which
Outlays Exceed
Revenues**

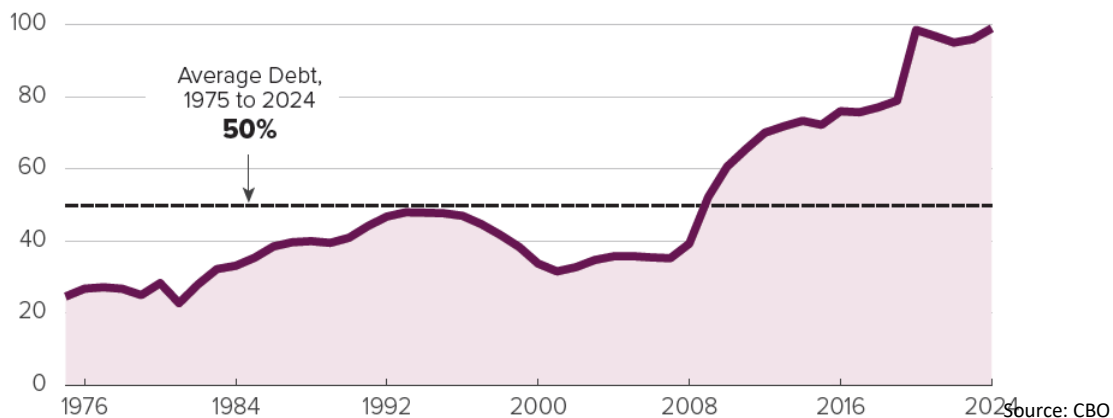
To fund government spending in years of deficits, the Treasury borrows from individuals, businesses, the Federal Reserve, and other countries.

Debt

Debt held by the public is issued to finance annual deficits, the Treasury's cash balances, and federal loans. Surpluses can be used to pay down debt.

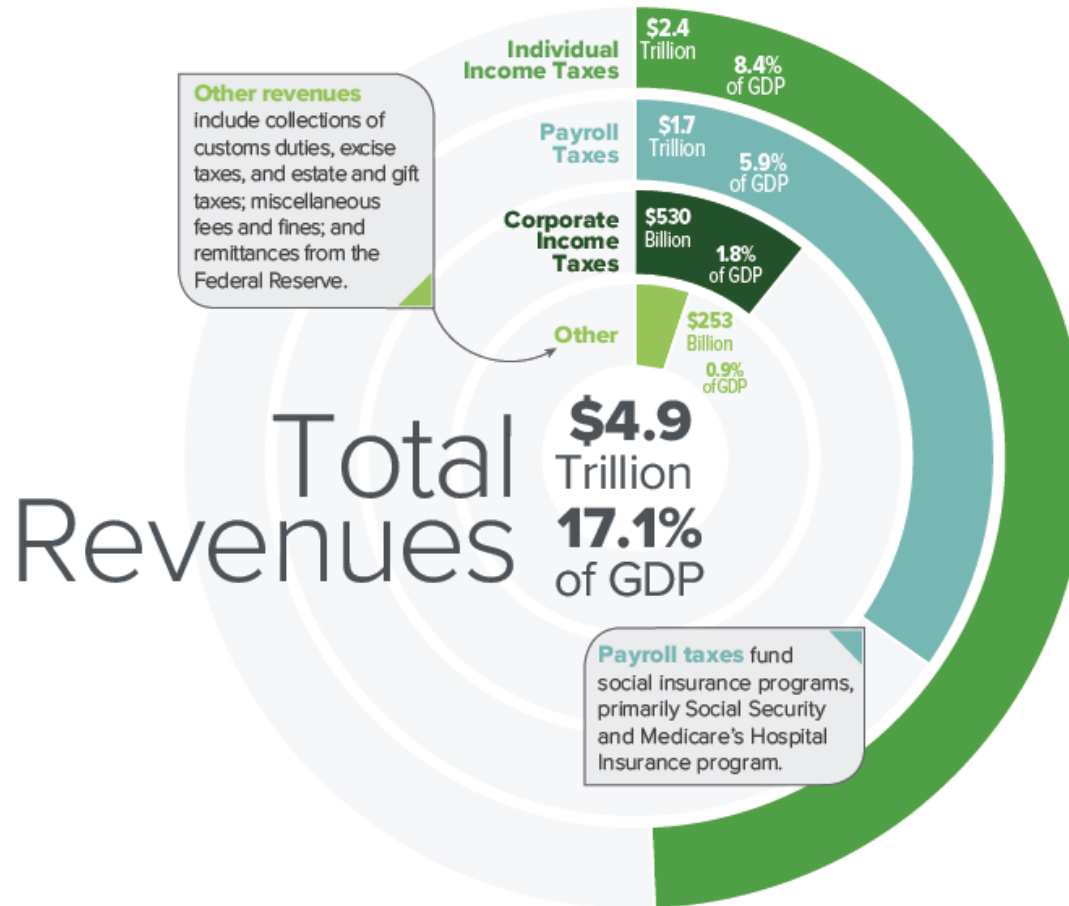
Federal Debt Held by the Public, 1975 to 2024

Percentage of GDP



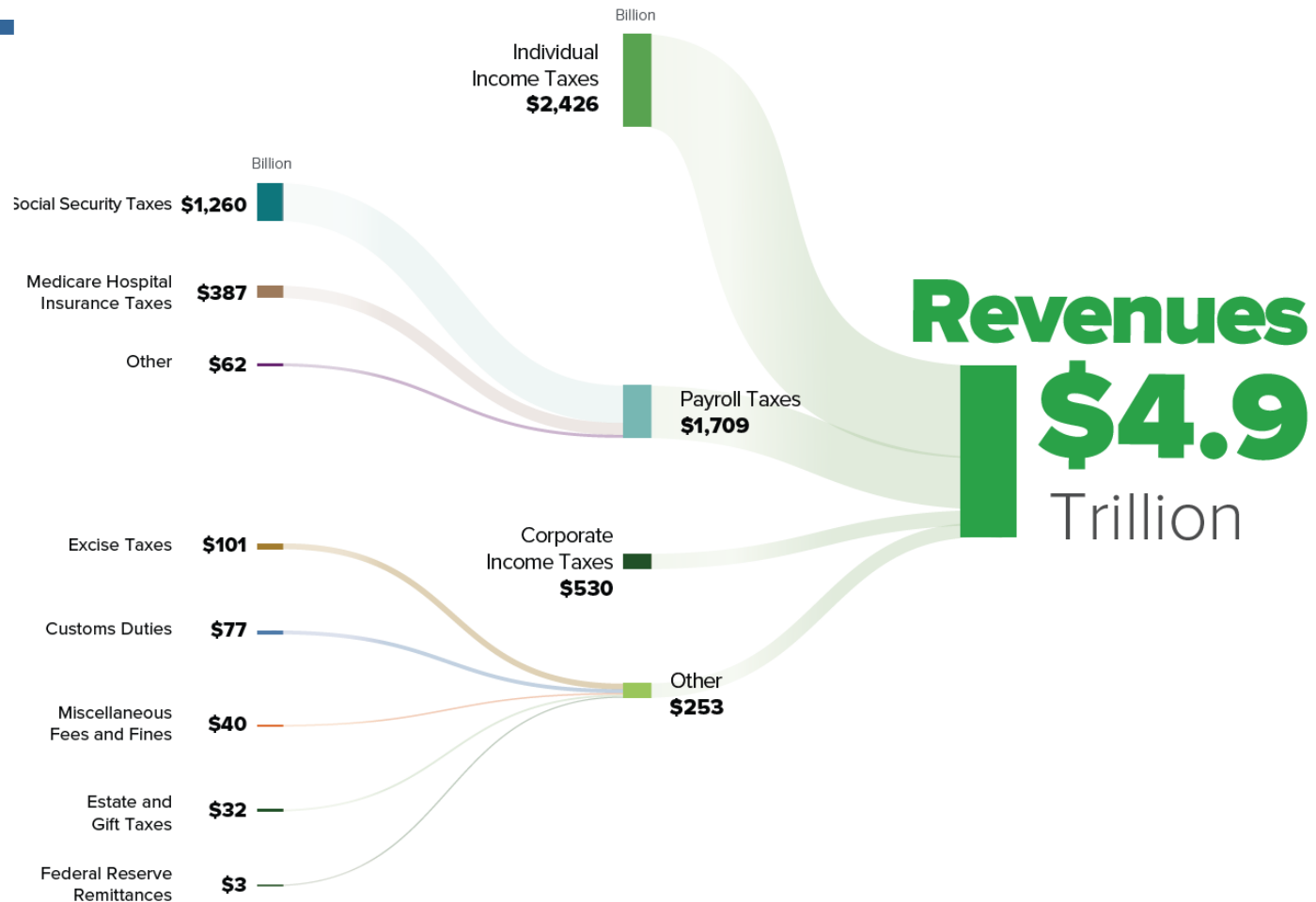
Source: CBO

Federal Budgeted Revenues – FY24



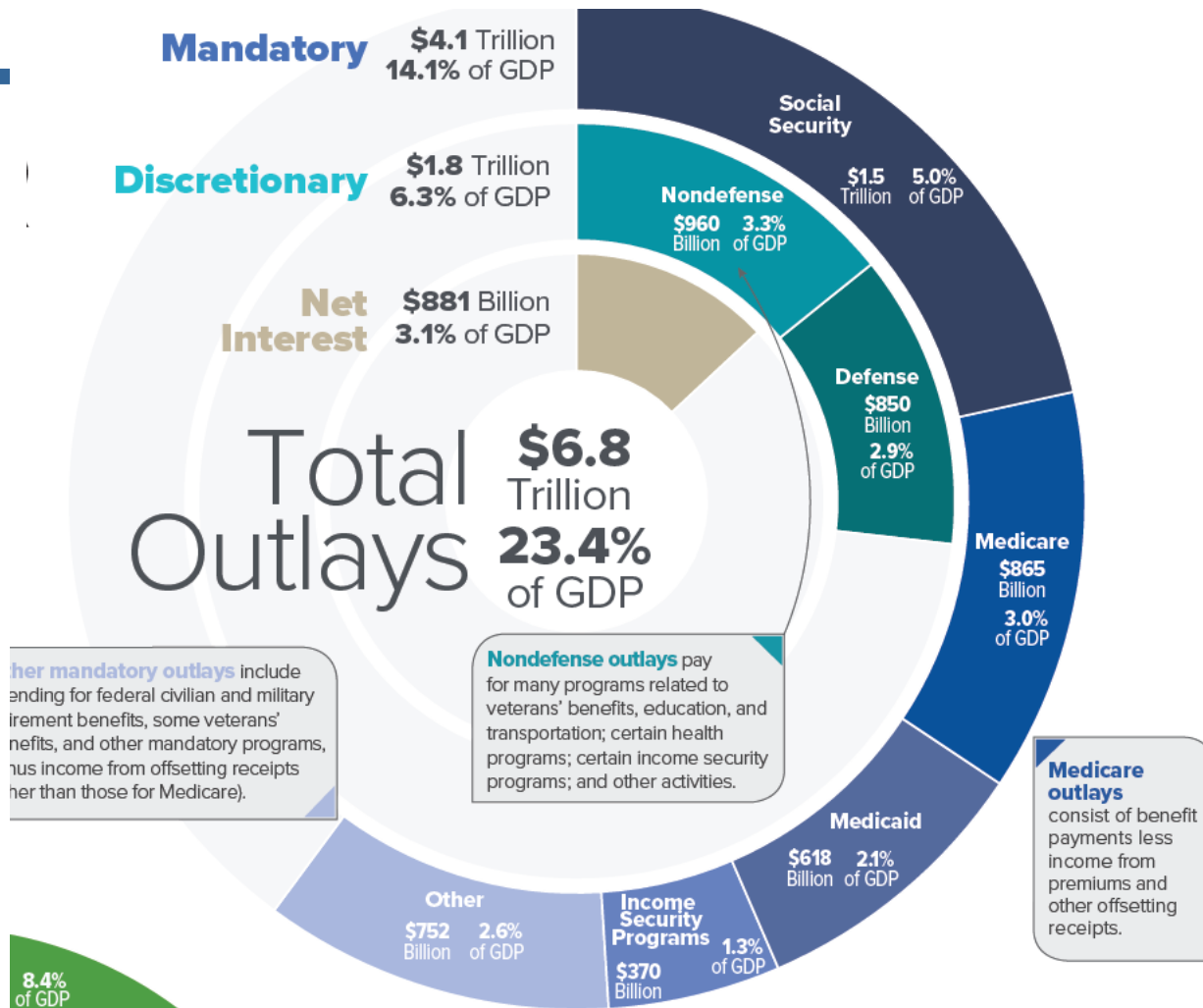
Source: CBO

Federal Budgeted Revenues – FY24



Source: CBO

Federal Budget – FY24 Outlays



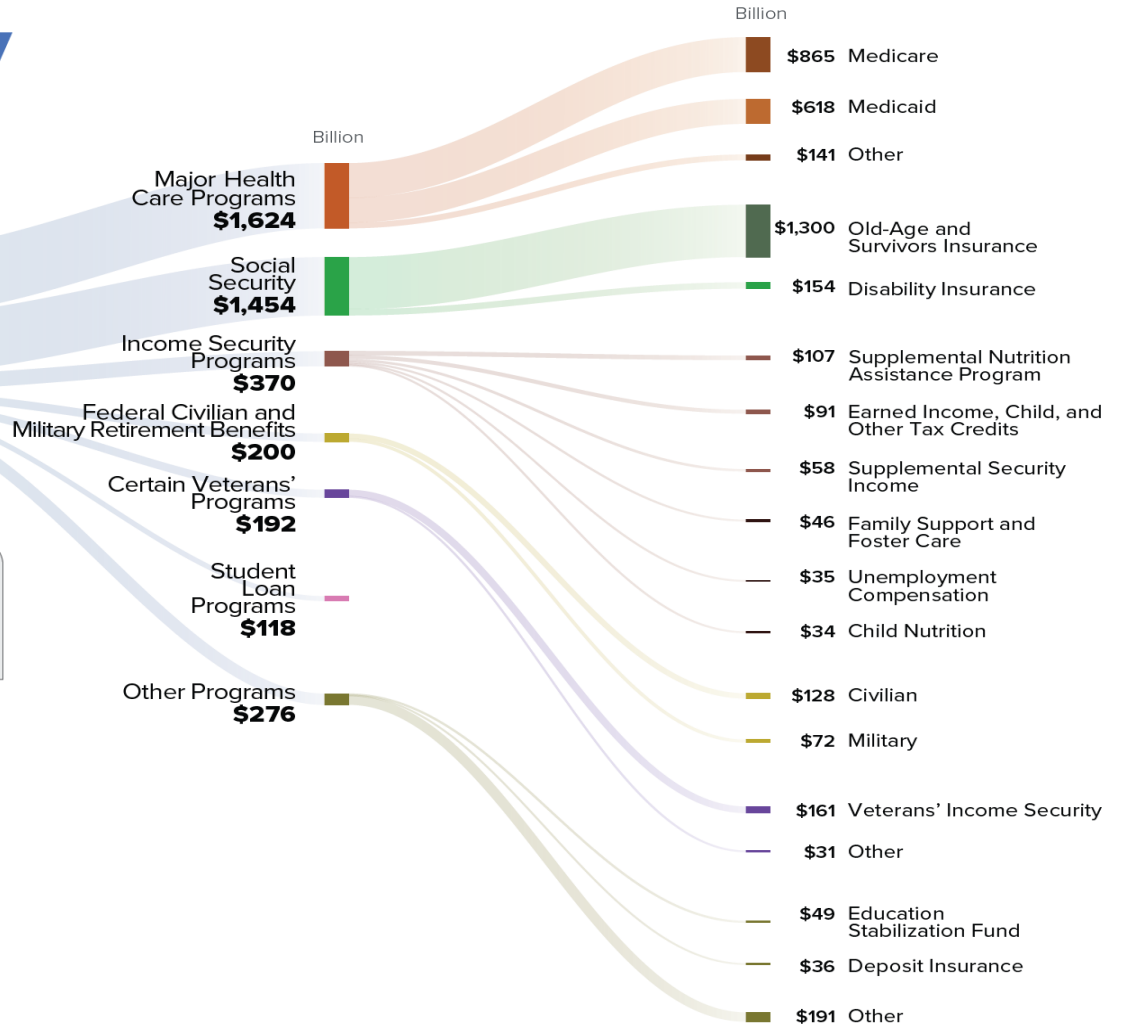
Federal Mandatory Spending – FY24

Mandatory Outlays

\$4.1
Trillion

Certain Offsetting Receipts
-\$175
Billion

Offsetting receipts are funds collected by government agencies from other government accounts or from the public that are credited as an offset to gross spending. **Certain offsetting receipts** include intragovernmental payments for federal employees' retirement benefits and receipts related to natural resources (such as those from oil and gas exploration and development). The effects of offsetting receipts related to Medicare are included in the total shown for Medicare outlays.



Source: CBO

Federal Budget – FY24 Discretionary Outlays

Discretionary Outlays

\$1.8
Trillion

Nondefense
\$960

Defense
\$850

Billion

\$134 Certain Veterans' Benefits

\$130 Transportation

\$121 Education, Training,
Employment, and
Social Services

\$103 Income Security

\$100 Health

\$80 Administration of Justice

\$78 International Affairs

\$56 Natural Resources
and Environment

\$50 Community and
Regional Development

\$41 General Science, Space,
and Technology

\$68 Other

Other includes outlays for general government, administrative costs of Medicare and Social Security, agriculture, commerce and housing credit, and energy programs.

\$331 Operation and
Maintenance

\$172 Military Personnel

\$152 Procurement

\$138 Research, Development,
Test, and Evaluation

\$57 Other

Discretionary Outlays are
Subject to Annual
Appropriations Process

2025 1st Special Session Appropriations, House Bill 1

2025 1st Special Session Appropriations, Reversions, and Fund Transfers (thousands)

Purpose	To Agency/Fund	Source	Amount
Appropriations			
Educational Television and Public Radio	Finance and Administration	GF	\$5,561
Educational Television and Public Radio Provided By Indian Nations, Tribes, and Pueblos	Indian Affairs Department	GF	\$430
SNAP for Elders and People with Disabilities	Health Care Authority	GF	\$4,600
SNAP for Lawfully Present Residents	Health Care Authority	GF	\$12,000
SNAP Education Program at UNM and NMSU	Health Care Authority	GF	\$1,246
Food Banks Including \$2.5 million for Capacity Building	Health Care Authority	GF	\$8,000
Food at Educational-Based Centers and Food Pantries	Health Care Authority	GF	\$2,000
Workforce Solutions to Support SNAP and Medicaid Work Requirements	Health Care Authority	GF	\$1,500
Staffing and Administration in Income Support Division	Health Care Authority	GF	\$4,400
Staffing and Administration in Medical Assistance Division	Health Care Authority	GF	\$2,200
IT Changes for SNAP and Medicaid	Health Care Authority	GF	\$10,000
Healthcare Services Provided by Non-Medicaid Eligible Nonprofits	Health Care Authority	GF	\$3,000
Reduce Health Premiums and Cost Sharing on the Health Exchange	Health Care Authority	HCAF	\$17,300
For Projected Shortfalls	Regulation and Licensing	GF	\$7,880
Health Professional Interstate Compacts	Regulation and Licensing	GF	\$100
College Assistance Programs	New Mexico State University	GF	\$450
Total Appropriations			\$80,666
Reversions			
Reversion of FY24 Balances	General Fund	HCA	\$120,000
Total Reversions to General Fund			\$120,000
Fund Transfer	Appropriation Contingency Fund	GF	\$30,000
Fund Transfer	Rural Health Care Delivery Fund (HCA)	GF	\$50,000
Total Fund Transfers			\$80,000
Total General Fund Appropriations/Transfers			\$143,366
Total Reversions to General Fund			\$120,000
Total General Fund Expenditures			\$23,366



2025 1st Special Session Legislation, House Bill 2

Federal Action

- Enhanced federal health insurance premium subsidies which cap the amount an enrollee pays for their premium at 8.5 percent of their income are likely to expire at the end of 2025

What the Bill Does

- Expands the use of the Health Care Affordability Fund (HCAF) to individuals earning more than 400 percent of the federal poverty level
- The enacted legislation and accompanying \$17.3 million appropriation will backfill the subsidies with HCAF funds through FY26.
- Since the subsidies are currently scheduled to expire at the end of the calendar year, the appropriation was sufficient to cover half a year of projected expenses, leaving a liability for FY27.

Issues

- HCA did not request the full year's amount in the September budget request submission for FY27.



2025 1st Special Session Legislation, Senate Bill 1

Federal Action

- Federal changes to Medicaid and Health Insurance Marketplaces may lead to a reduction in revenue to rural health facilities and clinics

What the Bill Does

- Expands the use of rural health care delivery grant funds to stabilize the provision of existing health care services when those services are at risk of reduction or termination
- Also expands the definition of rural health care facility and rural health care provider to include those located in high-needs geographic health professional shortage areas as designated by the US Health Resources and Services Administration.

Issues

Appropriations to the Rural Health Care Delivery Fund

Appropriation Year	Start Date	End Date	Appropriation Amount	Budgeted	Expended	Encumbered	Pre-Encumbered	Remaining
2023	4/7/2023	6/30/2026	\$80,000.0	\$80,000.0	\$51,691.3	\$21,741.7	\$0.0	\$6,567.0
2024	7/1/2024	6/30/2027	\$76,000.0	\$76,000.0	\$11,041.1	\$12,366.8	\$308.1	\$52,283.9
2025	7/2/2025	7/1/2027	\$20,000.0	\$0.0	\$0.0	\$0.0	\$0.0	\$20,000.0
2025 Special			\$50,000.0					\$50,000.0
Total			\$226,000.0	\$156,000.0	\$62,732.4	\$34,108.5	\$308.1	\$128,850.9

Source: SHARE



2025 1st Special Session Legislation, Senate Bill 3

Federal Action

- With the new federal administration, the panel that recommends the use of vaccines in the U.S. civilian population was replaced with new appointees, causing concern that access to vaccines could be reduced

What the Bill Does

- Expands the Department of Health's (DOH) decision-making authority regarding adult and childhood immunizations, allowing DOH to promulgate its own immunization regulations for immunizations or follow recommendations set by the American Academy of Pediatrics (AAP) or other medical organizations
- The bill also expanded immunization requirements to children enrolled in childcare programs

Issues

- The federal government's immunization guidance is still highly in flux, and it is unclear what changes will ultimately be adopted



Federal Shutdown

- The federal government shutdown on October 1st because Congress did not reach a compromise on a continuing resolution
 - The severity of a shutdown depends on the duration, a few days will have minimal impacts while several months could be very disruptive
 - Shutdown impacts vary widely by program with programs falling in 3 categories:
 - Able to continue through part or all the fiscal year absent appropriations action (foster care, adoption assistance, Medicaid)
 - Able to operate with carryover funds and prior obligation drawdowns are allowed. However, new obligations are not permitted, and payment approvals may depend on federal employees who are furloughed (Most programs fall in this category including: Mental Health Block Grant, opioid response grants, and LIHEAP)
 - Carryover of funds is not allowed, and the department will not process any payments (educational Impact Aid and Aging grants to states are the only two identified by FFIS at this point)



Possible PAYGO Sequestration Under Reconciliation

- Pay-As-You-Go (PAYGO) was enacted in 2010 to prevent new tax and spending legislation from increasing the federal budget deficit.
 - The Federal Office of Management and Budget must offset spending increases by ordering annual across-the-board program cuts.
 - The reconciliation bill increases deficits by \$3.4 trillion and will trigger these cuts, unless congress overrides PAYGO at the beginning of 2026.
 - Exempt mandatory programs include Social Security, veteran's benefits, Medicaid, SNAP, TANF, Unemployment Insurance, and SSI.
 - Medicare cuts are capped at 4 percent.
 - Federal mineral leasing payments are a significant concern since the state receives 67 percent of the disbursement. The federal government disbursed \$4.29 billion in 2024, of which \$2.88 billion went to New Mexico.
 - Other sequestrable programs include the crime victims fund, Maternal, Infant, and Early Childhood Home Visiting Programs, Promoting Safe and Stable Families and many others.



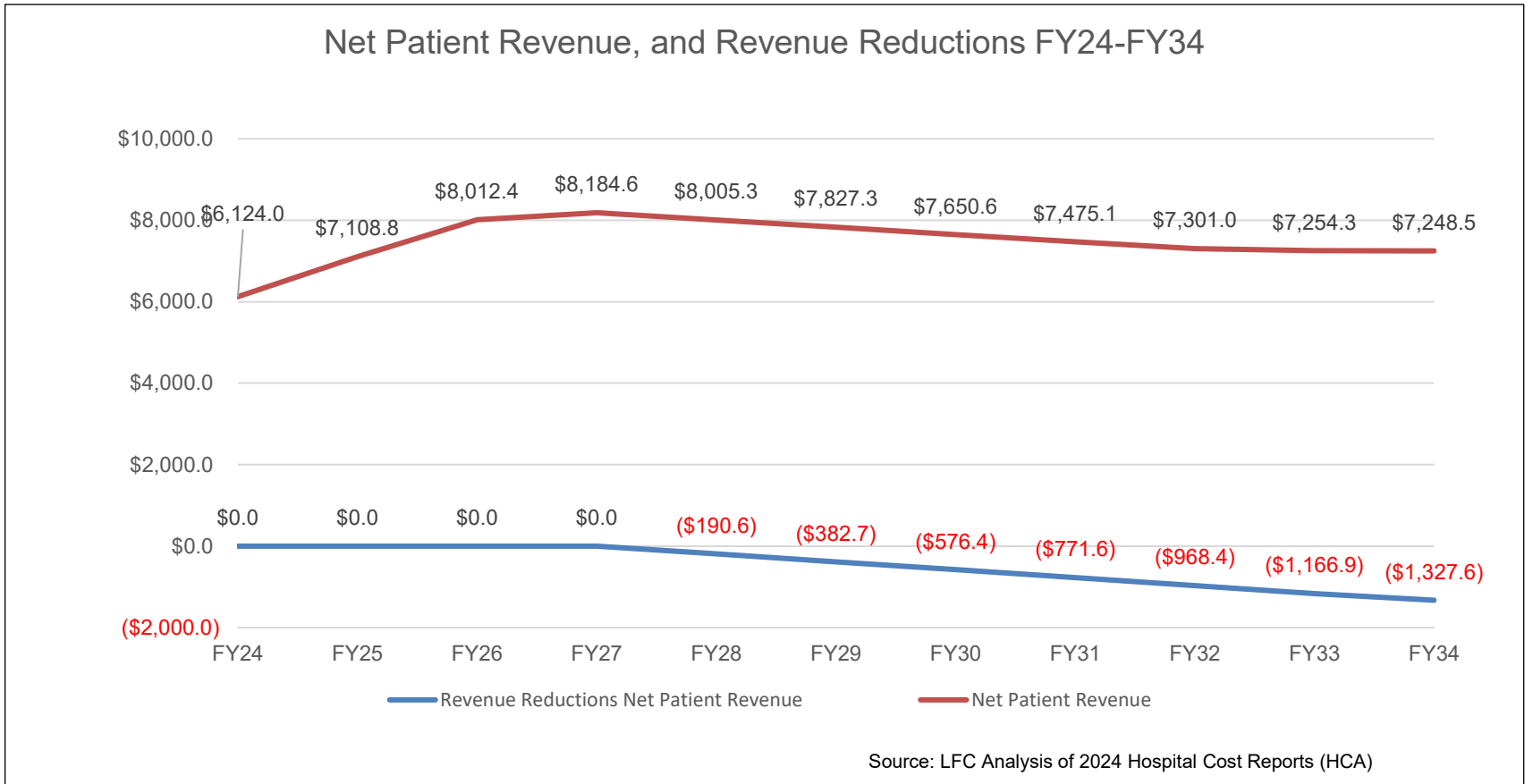
Federal Budget Reconciliation – Medicaid Timeline

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 J F M A M J
State Directed Payments to Hospitals and Nursing Facilities										
Provider Taxes										
Work Requirements										
Work Requirement Extension										
Cost Sharing (copays)										
6 Month Eligibility Redeterminations										
Retroactive Eligibility Limited to 1 or 2 months										



Notable Reconciliation Changes to Medicaid: State Directed Payments and Provider Taxes



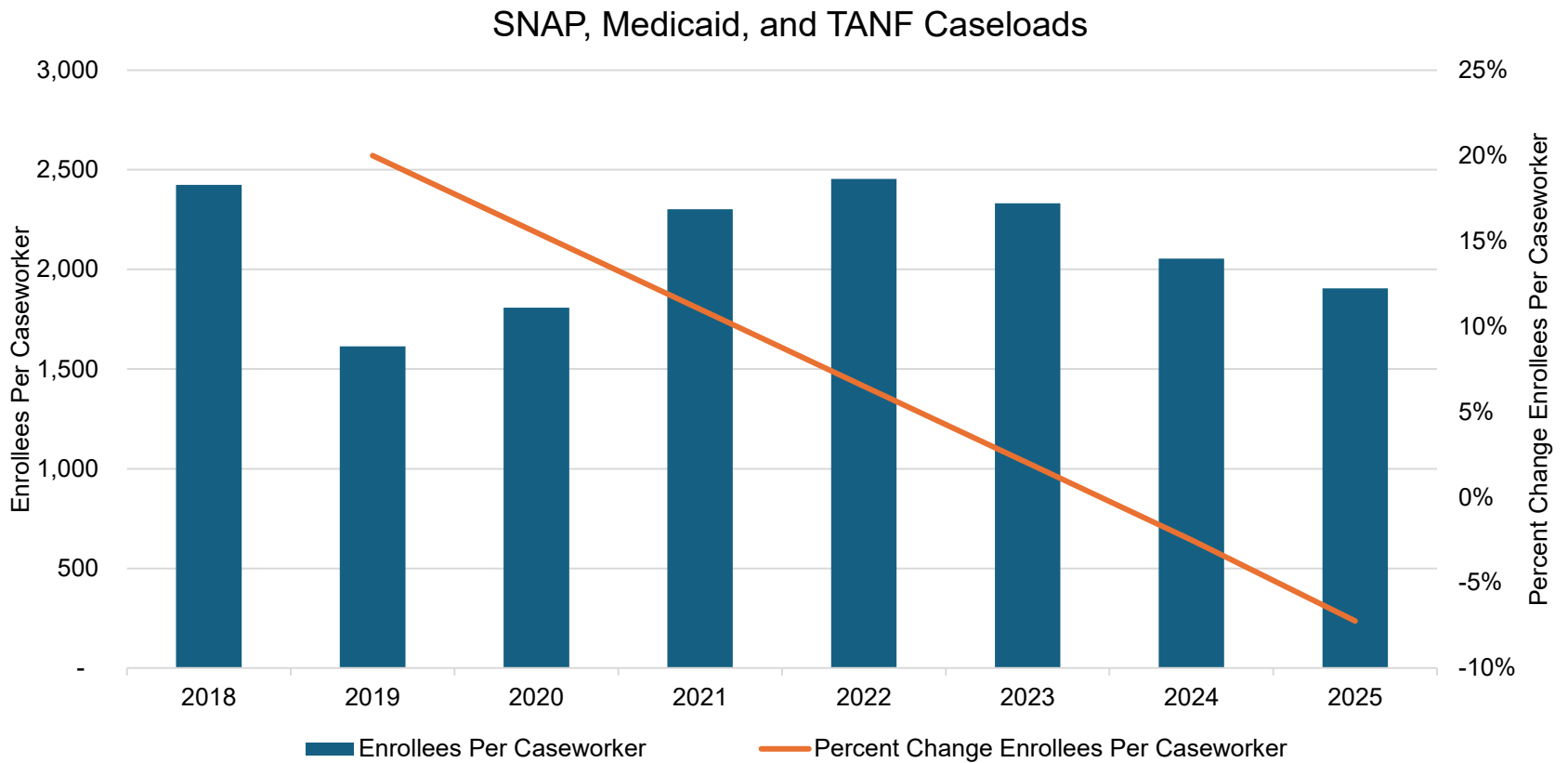
Federal Budget Reconciliation – SNAP Timeline

Timeline -- Federal Reconciliation SNAP Changes

State Fiscal Year	SFY 25	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	JFMAMJJASONCJFMAMJJASONCJFMAMJJASONCJFMAMJJASONCJFMAMJJASONCJFMAMJJASONCJFMAMJJASONCJFMAMJJASONCJFMAMJJASONCJFMAMJJASONCJFMAMJJASONC											
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											



SNAP, Medicaid, and TANF Caseloads

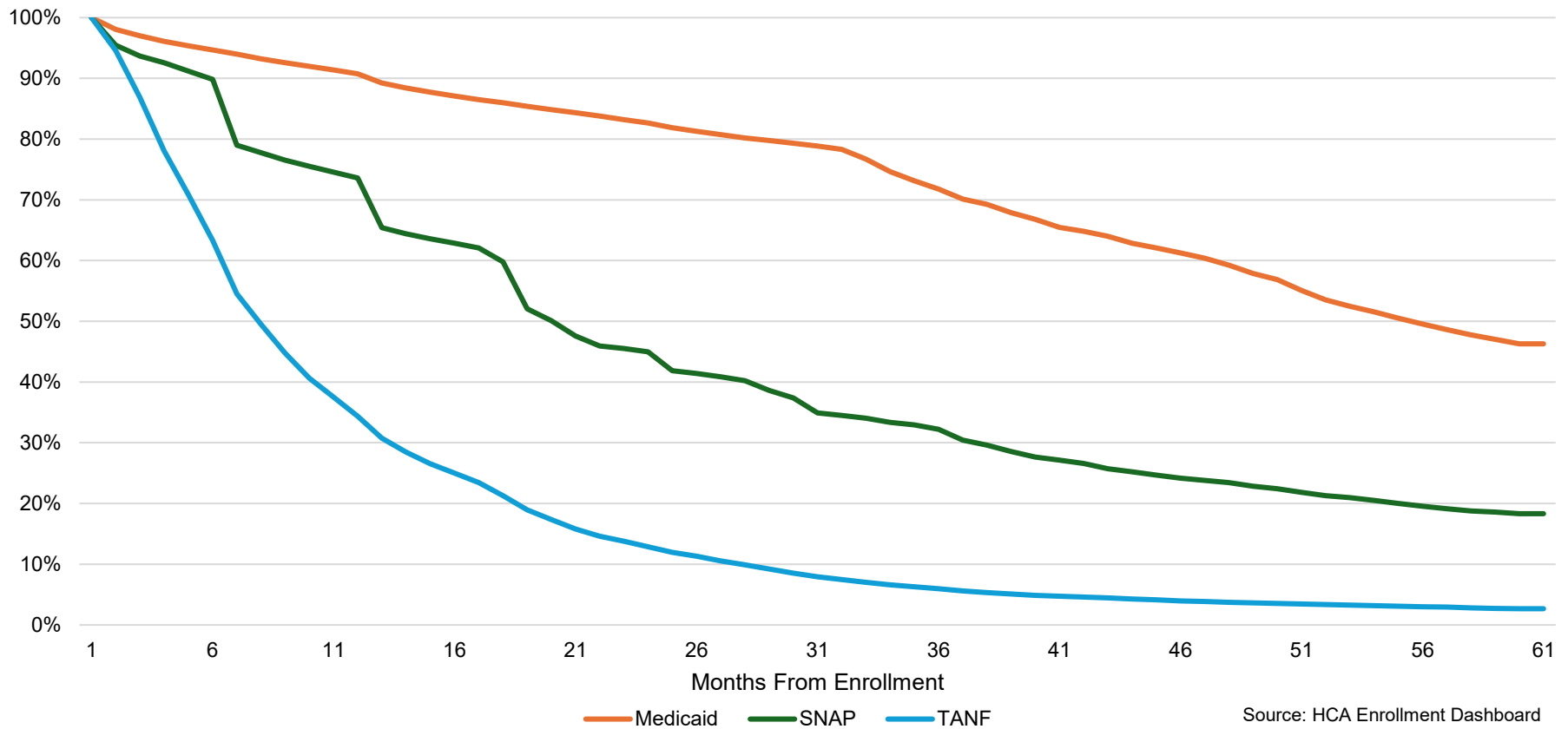


Source: LFC Analysis of SPO Tool Report and Enrollment Dashboard



SNAP, Medicaid, and TANF Enrollment Continuation

Probability of Eligibility Continuation by Program



Source: HCA Enrollment Dashboard



SNAP Changes Effective Upon Enactment of HR1

Eligibility

- SNAP eligibility for non-citizens
 - Narrows eligibility so that refugees, asylees, survivors of trafficking, and certain parolees lose eligibility.
- Expanded work requirements
 - Raises the upper age for who is subject to work requirements from 54 to 64.
 - Changes the dependency work requirement exemption from under age 18 to under age 14
 - Limits geographic waivers to only those states with high unemployment rates

Benefits

- Restrictions on Income Deductions
 - Internet expenses can no longer be included in the excess shelter deduction for SNAP. The US Department of Agriculture's website says that further guidance is forthcoming.
 - Heating and cooling standard utility allowances will no longer automatically be available to households without an elderly or disabled household member simply because they qualify for Low-Income Home Energy Assistance payments. However, some of these households may still qualify for some deductions under other authorities.

SNAP Education Program

- Funding for the SNAP-Ed program ended September 30th.





For More Information

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

Charles Sallee, Director
Charles.Sallee@nmlegis.gov
325 Don Gaspar – Suite 101
Santa Fe, NM 87501
505-986-4550