

Legislative Council Service

Information Memorandum

DATE: March 6, 2026

TO: Members of the New Mexico Legislative Council

FROM: Representative Patricia A. Lundstrom and Senator William P. Soules, Co-Chairs,
Federal Funding Stabilization Subcommittee

SUBJECT: KEY FINDINGS AND RECOMMENDATIONS OF THE 2025 INTERIM

During the 2025 interim, the Federal Funding Stabilization Subcommittee (FFSS) examined how federal funds flow to New Mexico and how prospective federal policy and budget actions could affect state programs, infrastructure, local governments, tribal communities and individual New Mexico residents. The FFSS also identified key timing considerations, including when federal decisions are made and communicated, when funds are distributed and when changes may take effect. At the final meeting of the interim, members discussed and reached agreement on the findings and recommendations summarized below.

The FFSS provides the legislature with a centralized, statewide perspective on federal funding that any single existing interim committee may not otherwise fully address. This perspective supports identification of cross-agency vulnerabilities, funding gaps and emerging federal opportunities and informs legislative consideration of whether a state response is warranted for federal reductions, expirations or new initiatives. The subcommittee is structured to track federal actions that fall outside the regular legislative session and budget cycle. Its creation allows a focus on policy and funding changes that affect multiple agencies at once rather than a single program area. This includes a review of major federal laws, administrative actions and rule changes for both near- and long-term fiscal implications.

During its work for the interim, the FFSS found that federal and state dollars have different opportunity costs than the normal consideration of General Fund spending. That is, state resources always require direct trade-offs, while certain federal funds do not. The FFSS identified that there is no expectation that the state will automatically replace federal funding that expires or is reduced or eliminated. The interim showed that New Mexico would benefit from tools that enable faster action than the next regular legislative session and support planning beyond one or two fiscal years. FFSS members identified the potential value of designating an interim legislative point of contact to consolidate and share information with the federal delegation, if directed by the legislature.

Members of the FFSS recommended the following at the subcommittee's final meeting of the 2025 interim:

- establish routine monitoring of federal budget actions, administrative rules and court rulings with potential impacts on New Mexico;
- strengthen early coordination among agencies when federal funding changes occur or are anticipated, including programs that involve multiple departments or local governments, and explicitly including tribal communities;
- develop strategies to temporarily stabilize essential services when federal support is reduced, delayed or otherwise disrupted;
- improve the state's capacity to identify federal opportunities and support timely agency action, consistent with appropriate oversight and transparency;
- enhance reporting on what agencies plan to pursue and expected match requirements, as well as a forecast of multiyear state exposure;
- strengthen statewide economic and revenue analysis tied to federal funding, including timing and federal-state policy interactions; and
- given ongoing need and public interest, consider continuing the subcommittee's work and whether to recommend a more permanent structure to support sustained oversight.

New Mexico faces both risks and opportunities as federal funding evolves. Routine monitoring, improved coordination, a clearer understanding of timing and a consistent evaluation of fiscal exposure may assist the state in protecting essential services, strengthening state, local and tribal capacity and responding to future federal actions.