LFC Newsletter

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Representative Nathan Small, Chairman
Senator George Muñoz, Vice Chairman
Charles Sallee, Director

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From the Chairman

Penny Saved

New Mexico has come far—very far—from the days when the Legislature had to meet in multiple special sessions just to keep the state from going into the red. A decade ago, we repeatedly found ourselves in a mad scramble to respond to national financial crises by finding unused money and identifying programs that could be cut with the least harm.

Today, by contrast, we have been able to step up as a state in multiple special sessions to respond to crises created by the federal government and ensure funding for critical programs will continue. However, there are several troubling economic indicators at the state and national level on the horizon.

Thankfully, several years of restrained spending on recurring expenses and an emphasis on using one-time investments to improve the lives of New Mexicans, have left us with strong reserves that can carry us through almost any downturn that is coming. Indeed, respected forecaster Moody's Analytics recently identified 22 states and the District of Columbia as already being in, or at risk of being in, a recession. Fortunately, the report shows that New Mexico is among a dozen states that are holding their own.

That doesn't mean we can afford to be cavalier. We got here by being careful not to inflate our spending, even as our accounts were bursting with new revenue. Now, the revenue tracking through September shows us a hundred million dollars behind projections, a situation we have not seen since 2016.

When the consensus revenue forecast is released at our meeting this month, we will have a clearer picture of our budget capacity for the upcoming fiscal year. We are anticipating weakening revenues and growing economic uncertainty at the national level. However, we also expect to remain in a strong position to stay the course on recurring spending and continue to be able to make meaningful one-time investments in areas of need for New Mexico families and communities.

Additionally, this budget will go into effect just six months before a new governor is elected. This means we should be cautious of making large new recurring investments on agency operations that may not be sustainable or on priorities that may suddenly shift with the next administration. Restraining spending on operations, the bulk on ongoing expenses, will continue to be highly important.

Yes, we are in a good position, better than many states. As we move through what are likely to be volatile times, it is more critical than ever that we move forward strategically. We must ensure public dollars are being well-spent on effective programs that make a meaningful impact on the health and well-being of New Mexico families.

Representative Nathan Small
Chairman

Crime Down but Still High

Both violent and property crime rates have fallen since a recent peak in 2018, but they remain above the national average and persistently high, LFC staff report.

In an evaluation unit report scheduled to be presented to the committee at 10:30 a.m. December 11, staff report the state has invested hundreds of millions of dollars in public safety initiatives since FY21 with limited impact.

Although research has found swift and certain justice can be a significant deterrent to crime, staff found data suggests police clearance rates—the number of reported crimes that result in an arrest—and outcomes for felony prosecutions are essentially unchanged from FY18. In addition, felony cases took an average of 316 days to reach disposition from their filing in FY25, and between 44 and 51 percent were dismissed.

While New Mexico has invested heavily in public safety and justice since FY21—appropriating \$370 million in one-time funding and increasing the operating budgets of the major justice agencies by nearly 20 percent overall—the state was already 10th in the nation for per capita spending on justice in 2019 and first among surrounding states, the report says.

The Administrative Office of the Courts and the Department of Public Safety have seen the largest budget increases, with the budgets for both agencies growing by about 40 percent over the last five years. Separate from AOC, the courts collectively saw budget increases of 51 percent between 2020 and 2024. District attorney budgets increased an average of 19 percent, and the budget for the Public Defender Department increased 28 percent.

One-time appropriations included more than \$180 million for recruiting and retaining law enforcement staff, district attorneys, and public defenders and \$40 million for technology, including criminal justice information system modernization, crime lab and fingerprinting equipment, and a data-sharing platform for the courts.

The staff also highlights that, between FY21 and FY25, roughly one-third of defendants were responsible for about two-thirds of felony cases, and one-third of people released pretrial on a felony charge were arrested for another felony before the first case was resolved.

Capital Reforms Under Discussion

Proposals for new guardrails on the use of state capital outlay dollars could address long-discussed reforms to an existing capital process that has led to billions of dollars in outstanding balances for slow-moving and inactive projects, LFC staff report.

In an update on capital outlay initiatives presented to the committee in November, LFC analysts outlined several approaches being considered to address problems that lead to inefficient use of state building and equipment funds, often because of poor planning or inadequate funding.

LFC staff, at the direction of the LFC capital subcommittee, are working on possible legislation that would prohibit reauthorizations that change the purpose of an appropriation and limit reauthorizations that extend the time to spend the money. Under the proposal, a capital appropriation could only be extended once and only if some of the money had already been committed.

Also at the direction of the subcommittee, staff are working on draft legislation that would require all capital outlay requests over a certain dollar amount to be prioritized through an more formal process. "Local" capital outlay allocated at the discretion of individual legislators and the governor is not required to go through that process.

Staff are also working on a proposal that would direct individual water projects eligible for Water Trust Board funding to the board rather than the discretionary capital outlay process.

In addition, staff reported the Department of Finance and Administration has created criteria and an application process for the \$26 million in capital development program fund available in 2026, a relatively small pool of money that can pay for planning or construction of shovel-ready projects.

DFA received 101 applications for a total of \$228.9 million in projects, ranging from \$20 thousand to \$12 million, and is in the process of scoring the requests based on project readiness, implementation plan, community benefit, and quality of cost estimates.

Poorest Families Drop Out When More Families Let In

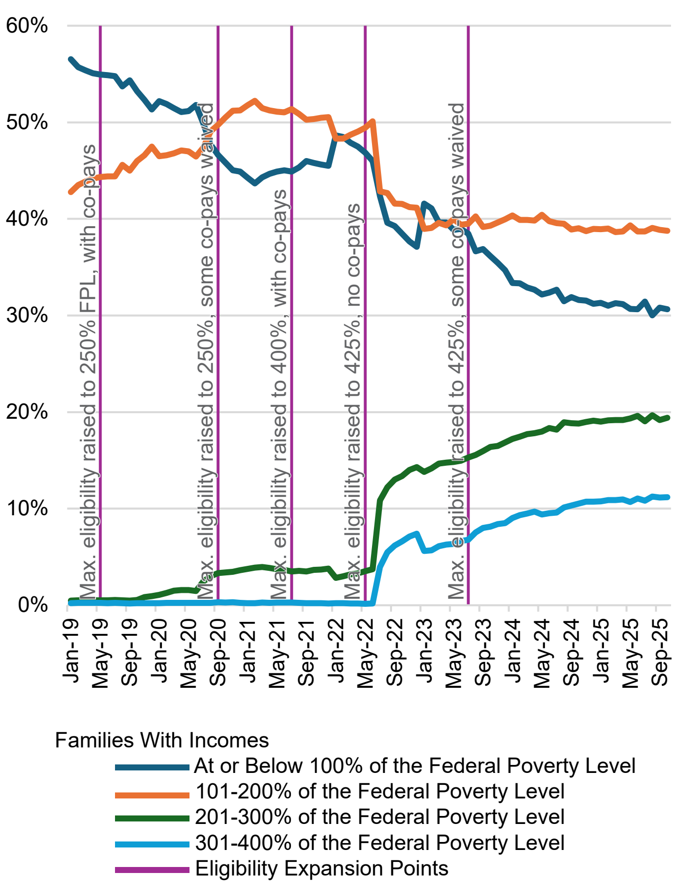
The share of the families enrolled in the Childcare Assistance Program at the lowest income levels has generally dropped as eligibility for the program has been raised to higher income families, LFC analysis shows.

While about 55 percent of families in the program that subsidizes childcare costs were earning below 100 percent of the poverty level in 2019, or $24.6 thousand annually for a family of four in 2019, that share has now dropped to about 31 percent after successive expansions of income eligibility.

In the report scheduled to be presented to the committee at 1 p.m. December 9, LFC staff note research broadly shows that individuals with fewer resources have a more difficult time accessing services and can be crowded out by families with more resources and time.

The report says while the share of New Mexico children in families living at or below 100 percent of poverty has shrunk since 2019, the decline is not in proportion to the decline in Childcare Assistance enrollment.

Share of Families Enrolled in Childcare Assistance by Income Level as Benefits Expanded



Source: LFC Files

On the Table

NM Rig Count Up; Basin Down

The statewide New Mexico oil and gas rig count was at 106 on November 21, up from lows in the 90s a few months ago. The count of 254 rigs for the Permian Basin as a whole is still down 49 rigs from a year ago.

MCOs Report Costs Exceed Payments

The state's four Medicaid managed care organizations report they spent more providing care to enrollees during the first six months of 2025 than the basic rate paid by the state. For example, the medical loss ratio for behavioral healthcare for certain members was 122 percent, meaning the MCO spent a $1.22 on services for every dollar it received from state under a per-member per-month payment agreement. However, the state's contracts with the MCOs provide for the state to share in the losses, with the state paying up to 90 percent depending on the level of loss.

Thousands Apply for Childcare Assistance

The Early Childhood Education and Care Department reports 5,000 families applied for Childcare Assistance following expansion of the program to all income levels on November 1. Of the new applicants, 55 percent were families with incomes above 400 percent of the federal poverty level, or $128.6 thousand a year annual for a family of four. On average, childcare costs $12 thousand a year per child.

Public Assistance Caseloads Still Dropping

September data shows that Medicaid, Supplemental Nutrition Assistance Program, and Temporary Assistance for Needy Families caseloads continue to decline compared to last year. Compared to September 2024, the number of individuals receiving Medicaid declined by 3.9 percent, SNAP recipients declined 6.3 percent, and TANF recipients declined 13.7 percent.

Revenue Tracking Behind Projections

Preliminary Taxation and Revenue Department figures reported through September show general fund revenue for FY26 are tracking $102.6 million below estimates. Low corporate income tax receipts are contributing the most to the low tracking estimate, coming in $107.7 million below the August consensus estimate.

School Calendars Shrink

The average public school calendar shrunk by two days this year, based on preliminary data, with 118 school districts and charter schools—more than half—shortening their calendars by an average of eight days. Of the rest, about 20 maintained the same calendar and about 50 added new days. In addition, while K-12 Plus extended learning days declined statewide, the 10 largest school districts expanded days, with Albuquerque schools adding one day to the calendar year through the extended learning program. Notably, 18 local agencies switched from a five-day school week to a four-day week, but 12 of those ended up with more extended learning funds despite fewer total days and fewer days per week.

Xcel Energy Asks for Rate Increase

Southwestern Public Service, Xcel Energy's subsidiary serving eastern New Mexico, has filed a request with the Public Regulation Commission to increase its base rate revenue by 16.7 percent. The utility, which serves eight western states, estimates the request would increase the typical monthly residential bill of New Mexico customers by 7.5 percent, or $7.83, although the final impact will depend on PRC's decision. PRC has up to a year to consider the request.

Transitions

Results for America, a national nonprofit, has awarded LFC and its staff with silver certification for its work on results-driven budgeting and performance analysis.

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Editor - Helen Gaussoin

Questions, comments: 505-986-4550

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