

Tuesday, August 19 ([click here for webcast](#))

The following members and designees were present on Tuesday, August 19, 2025: Chairman Nathan P. Small; Vice Chairman George Muñoz; Representatives Meredith A. Dixon, Jack Chatfield, Derrick J. Lente, Joseph Sanchez, Rebecca Dow, and Susan Herrera; and Senators Benny Shendo, William Soules, Pat Woods, Nicole Tobiassen, Steve D. Lanier, and Pete Campos. Guest legislators: Representatives Mark Duncan, Sarah Silva, Charlotte Little, Joy Garratt, and Brian G. Baca. Senator Michael Padilla, David Gallegos, William E. Sharer, Jeff Stienborn, Joseph Cervantes

Preliminary FY25 General Fund Revenues, FY26-FY30 Revenue Outlook, and General Fund Financial Summary (8:12AM, [click here for meeting materials](#))

Secretary Stephanie Schardin Clark for the Taxation and Revenue Department (TRD) provided a detailed macroeconomic and revenue forecast for the United States and New Mexico, highlighting slower national gross domestic product (GDP) growth, moderating labor market gains, and elevated but easing inflation. Moody's Analytics, S&P Global, and University of New Mexico projections show national GDP growth cooling to around 1.3–1.5 percent in 2025–2026, unemployment gradually rising toward mid-4 percent, and inflation staying higher in the near term before moderating. New Mexico employment has grown steadily, with strong sector gains, though future growth is expected to flatten. Oil prices have been revised downward, though production volumes are up, while natural gas production and pricing are trending higher due to international demand. Gross receipts tax (GRT) collections were revised upward for FY25, but growth expectations for FY26–FY27 have been lowered. Personal income tax revenues exceeded expectations due to lower taxpayer uptake of recent cuts, while corporate income tax forecasts were adjusted for legislative credits and impacts of federal House Resolution 1, which also reduced personal income tax and corporate income tax revenue projections. Severance tax revenues to the general fund remain stable due to caps, though transfers to other funds will decline with weaker oil prices. A federal royalty reconciliation issue may result in a \$150 million claw back, and HR1's reduced royalty rate could cost New Mexico about \$170 million annually over the next decade. Revenues remain solid but face headwinds from federal policy changes, moderating growth, and energy market volatility.

Secretary Wayne Propst with the Department of Finance and Administration reported that New Mexico's fiscal position remains strong, stable, and resilient with reserves above 30 percent. Secretary Propst emphasized that investment income, growing at over 11 percent, is increasingly replacing volatile oil and gas as a key driver of revenue growth and is projected to become the largest source of general fund growth by FY30. Revenues for FY25 closed \$390 million above estimates, raising reserves to nearly \$3.5 billion (34 percent), with FY26 reserves projected near \$4 billion (36 percent). The state is expected to generate about \$485 million in new recurring money in FY27 with \$2.8 billion available for nonrecurring appropriations. While acknowledging risks, such as slowing growth, inflation, and oil price volatility, stress tests show the state remains well positioned even under worst-case scenarios. Secretary Propst urged caution in light of federal policy uncertainties, highlighting opportunities to invest in Medicaid and behavioral health trust funds while maintaining strong reserves above 30 percent to safeguard against future instability.

LFC Chief Economist Ismael Torres stated New Mexico's latest revenue update shows mixed

results: FY25 is revised sharply up (growth from 1.6 percent to 4.6 percent), but FY26 drops to 0.4 percent and out-year growth is softer, leaving the FY27 estimate at \$14.1 billion, only \$17 million above December. “Total new money” is about \$484.8 million, roughly half of last year’s approximately \$900 million, while large nonrecurring appropriations, \$3.5 billion in FY25 and \$2.7 billion already committed in the subsequent year, create a treadmill that leaves only \$80 million of capacity absent reserve use. Mr. Torres highlighted three takeaways, less new money/less growth, a shakier outlook, and materially higher uncertainty driven by federal policy changes (HR1) and mixed data (downward job revisions to approximately 35 thousand/month nationally, rising tariffs that could push inflation above assumptions, labor-force shrinkage, and potential federal layoffs). Oil prices are revised down by \$7.50 per barrel in next year and approximately \$10 in the budget year, implying plateauing oil output, while natural gas production may keep rising. Each \$1 change in the price per barrel of oil moves state revenue by approximately \$57 million and, along with a new well break-even price near \$62/barrel, the downward revisions put growth on a knife’s edge. LFC’s stress tests suggest covering existing appropriations in a downturn could require approximately \$1.2 billion in FY26 and approximately \$1.6 billion in FY27 (approximately 27 percent reserves). Revenues remain close to long-run trend, personal income tax revenue is below trend due to tax cuts, and overall reserves remain above 30 percent, with approximately 8 percent in new trust funds.

Early Childhood Accountability Report [10:06 AM, click here for meeting materials](#) LFC Analyst Allegra Hernandez, Ph.D., and LFC program evaluator Garrett Mosley presented the *Early Childhood Accountability Report*, completed every two years by LFC staff to assess how New Mexico’s children are doing and evaluate the effectiveness of front-end systems designed to improve outcomes. The report finds that while early childhood funding has grown significantly, from under \$200 million in FY12 to \$918 million in FY26, implementation challenges persist, and outcomes have not substantially improved. Key issues include declining childcare capacity, with a 51 percent drop in registered childcare homes, and low-income families using fewer Childcare Assistance slots despite broadened eligibility. Prekindergarten funding has increased 418 percent since FY18, leading to more enrollment and positive outcomes, though disparities exist in teacher qualifications between school and community-based providers, requiring strategic planning as the program expands. The Family, Infant, Toddler Program is serving more children, though rising enrollment suggests greater developmental risk and under billing of Medicaid needs correction. Home visiting participation is growing, but completion rates remain low, and child maltreatment rates for participating families have risen, warranting closer oversight. Child welfare outcomes remain significantly worse than national averages, with repeat maltreatment rates near 15 percent, prompting recommendations for evidence-based prevention strategies and implementation of a multilevel response system and an approved federal Family First Prevention Services Act (FFPSA) plan. Ms. Hernandez and Mr. Mosley concluded their presentation by stating that funding levels are sufficient, but more effective implementation is needed across all programs to achieve the intended outcomes.

Secretary Elizabeth Gronginsky for the Early Childhood Education and Care Department (ECECD) reported New Mexico is leading the nation in creating a universal, family-centered early childhood system that improves school readiness, family health, and economic well-being through universal access, a strong workforce, quality standards, and family engagement. Secretary Gronginsky thanked the Legislature and tribal partners for their collaboration and urged continued

partnership, investment, transparency, and accountability to support young learners.

Welcoming Remarks and Border Infrastructure Updates [\(1:40 PM, click here for meeting materials\)](#) Sunland Park City Manager Mario Juarez-Infante presented to the committee how Sunland Park is redefining its community, noting a new municipal development code that would redefine zoning and subdivision regulation that is currently in the stage of public review. Mr. Juarez-Infante emphasized efforts to make the border region more customer-friendly while preserving its natural beauty and investing in proper infrastructure. The presentation highlighted the need to retain medical professionals who currently cross into Texas by increasing local healthcare access and job opportunities. Sunland Park is also expanding sports tourism, collaborating with the El Paso Locomotives for youth training programs at a new multi-generational center funded by state support. Additionally, the city is developing outdoor recreation projects, including segments of the Rio Grande Trail and a nearly complete multi-purpose trail at the sports complex. These efforts involve collaboration with the Border Authority, Department of Transportation, and regional partners to boost workforce development, job creation, and overall competitiveness.

Jerry Pacheco from the New Mexico International Business Accelerator and the Border Industrial Association presented an overview of the Santa Teresa and San Jeronimo industrial bases, which are major drivers of New Mexico's economy. Mr. Pacheco highlighted the area's 130-member industrial base, four industrial parks, Union Pacific's largest container yard by territory, and its significance as the largest cattle crossing on the U.S.-Mexico border. Santa Teresa supports around 7,000 jobs, contributes roughly \$2 billion annually to the state economy, and now accounts for more than 60 percent of New Mexico's total exports, with trade to Mexico increasing 101 percent last year. Key industries include electronics, automotive parts, value-added agriculture, metal fabrication, cold storage, and logistics, with significant new projects under construction, including residential communities and solar farms totaling nearly 4 million square feet. Mr. Pacheco also described the Supply the Supplier Program, which connects New Mexico businesses with industrial base companies' needs, generating \$63 million in contracts statewide over seven years. Mr. Pacheco thanked the committee for their support and emphasized the importance of continued collaboration to sustain growth and competitiveness in the region.

Jonathan Macias, the assistant county manager for Doña Ana County, emphasized the county's commitment to supporting the Legislature's efforts on border infrastructure, economic development, and water security, noting its ongoing request for information for a desalination plant and desire to replicate successful regional models. Mr. Macias highlighted the county's fiscal stewardship by reducing its local capital outlay project list from 83 to 19, prioritizing critical, shovel-ready projects and leveraging reserves and bonding capacity. The county's five-year strategic plan, developed with the Ripple Foundation, focuses on seven vital conditions, such as transportation, health and safety, housing, meaningful work, and community belonging. Mr. Macias stressed collaboration with state and Mexican partners, repairing relationships, and addressing major infrastructure and energy needs to position New Mexico for long-term growth and resilience.

Joseph De La Rosa, chair of New Mexico Border Authority, presented the Santa Teresa Strategic Infrastructure Assessment, highlighting the region's rapid growth driven by past infrastructure

investments and its unique assets, including the Union Pacific intermodal facility, jetport, foreign trade zone, and port of entry capable of handling oversized cargo. Mr. De La Rosa emphasized the need for continued investment to keep the region competitive, noting New Mexico lost nearly 2,000 jobs and \$2.7 billion in capital investment from missed projects due to infrastructure and workforce constraints. Key priorities include completing the Border Highway Connector, which will significantly reduce travel time, expanding water and wastewater capacity, and addressing drainage needs to support development. Mr. De La Rosa outlined the potential economic returns of sustained infrastructure investment, which could drive job creation, gross domestic product growth, and diversification of New Mexico's economy beyond oil and gas.

International Border Economic Development and Infrastructure [\(2:35 PM, click here for meeting materials\)](#) Diputado Federal Pérez Cuéllar, the chair of the Northern Affairs Committee from Mexico Chamber of Deputies, emphasized the importance of cross-border collaboration among New Mexico, Texas, and Chihuahua to create a more competitive region and improve quality of life for residents on both sides of the border. Mr. Pérez Cuéllar highlighted ongoing work on a strategic plan for international crossings, particularly the Santa Teresa-San Jerónimo crossing, in light of the anticipated 2027 closure of the Cordova-Las Américas crossing to cargo traffic. Mr. Pérez Cuéllar reported significant growth in trade through Santa Teresa, rising from \$28 billion to \$38.8 billion, and outlined priority projects, including modernization of Mexican customs facilities, construction of the Anapra bypass, and road improvements to streamline freight traffic. Mexico's president has designated the San Jerónimo area as a development hub with tax and administrative incentives to attract investment in key sectors like automotive, electronics, semiconductors, pharmaceuticals, and chemicals, aiming to decentralize growth beyond state capitals. Mr. Pérez Cuéllar stressed that modernizing and strengthening the Santa Teresa-Jerónimo crossing is critical to regional economic potential, serving over 2.5 million residents, and expressed gratitude for the committee's partnership on binational infrastructure efforts.

Kelly Tomlin, president and chief executive officer of El Paso Electric, expressed that today presents the greatest opportunity for energy and economic development. Ms. Tomlin highlighted that, despite concerns when JP Morgan's Infrastructure Investment Fund purchased El Paso Electric five years ago, the company has kept its promises, committing \$100 million to economic development and shifting its mission to become an engine for regional growth. Ms. Tomlin stressed the urgency of diversifying the customer mix beyond mostly residential users to attract businesses that can support tax revenue, schools, and infrastructure, noting that rising costs and power demand, especially from data centers, require new transmission lines and generation. Ms. Tomlin urged openness to large energy loads, pointing out that all consumers contribute to rising demand and that power availability is now the first question for economic development prospects. Ms. Tomlin praised El Paso Electric's shareholder model, which enables flexible infrastructure investment, and warned that competition for industrial projects is fierce, with other states already reaping benefits. Ms. Tomlin called for seizing this moment to modernize infrastructure, attract large-scale projects, and move New Mexico out of cycles of poverty, framing energy development as key to long-term prosperity. Ms. Tomlin concluded by emphasizing that nothing happens without power, that the company sees this as a sacred responsibility, and that the time to act is now.

Lanham Napier with Borderplex Digital reported that Southern New Mexico is uniquely

positioned for sustainable economic growth due to its rich resources, culture, and proximity to growing trade with Mexico. Mr. Napier argued that the region should invest in both infrastructure and resource development, particularly power and water, rather than viewing them as trade-offs, noting that expanding infrastructure would create economies of scale, lower costs, and improve outcomes for local residents. Mr. Napier highlighted that modern data centers use minimal water through closed-loop systems and bring significant economic benefits, including hundreds of jobs and millions in new county revenue that could fund projects like desalination to convert brackish aquifer water into freshwater. Santa Teresa is an ideal location for solar development and supply chain integration with northern Mexico, and that investment in power and water infrastructure would attract not only data centers but also advanced manufacturing and logistics, transforming the region's economic trajectory. Mr. Napier underscored the importance of workforce development, partnering with local colleges and universities to create training pipelines that can prepare high school graduates for these jobs.

Cholla Koury, chief of staff of the Public Regulation Commission (PRC), outlined the commission's efforts to modernize regulation, increase case efficiency by 40 percent, streamline permitting, and actively coordinate with other agencies. Ms. Koury noted major projected load growth by 2030, regional transmission planning efforts, and upcoming initiatives including independent utility modeling and grid modernization. Ms. Koury concluded by advocating for statutory flexibility and self-funding authority for the PRC to better meet future energy challenges and support New Mexico's transition toward an innovative, responsive regulatory environment.

Wednesday, August 20 ([click here for webcast](#))

The following members and designees were present on Thursday August 20, 2025: Chairman Nathan P. Small; Vice Chairman George Muñoz; Representatives Meredith A. Dixon, Jack Chatfield, Derrick J. Lente, Joseph Sanchez, Harlan Vincent, Rebecca Dow and Susan Herrera; and Senators: Benny Shendo, William Soules, Pat Woods, Michael Padilla, Nicole Tobiassen, Steve D. Lanier, and Pete Campos. Guest legislators: Representatives Mark Duncan, Sarah Silva, Charlotte Little, Joy Garratt, Debra M. Sariñana, and Brian G. Baca. Senator David Gallegos, William E. Sharer, and Jeff Stienborn

Welcoming Remarks (8:08 AM, [click here for meeting materials](#)) Superintendent Ignacio Ruiz of the Las Cruces Public Schools thanked the committee for supporting public education and highlighted Las Cruces public school's (LCPS) \$12 million in savings, which improved staff benefits and retention. He noted progress in literacy, math, and mental health initiatives, but warned of funding challenges as federal aid expires and costs rise. Mr. Ruiz reaffirmed LCPS's commitment to equity, innovation, and serving the whole child.

Superintendent Michael Chavez with Hatch Valley Public Schools reported, despite declining enrollment, Hatch Valley maintains a 90 percent graduation rate and steady academic growth. Mr. Chavez highlighted unique career and technical education, agriculture, and bilingual programs, raised concerns about vaping, rising special education needs, and funding gaps, and urged continued legislative support to sustain progress.

Superintendent Travis L. Dempsey with Gadsden Independent Schools expressed concern over federal funding and the cost of dual-language programs, highlighted record-high graduation rates and rising proficiency, and outlined plans to consolidate schools and manage finances amid

declining enrollment. Mr. Dempsey also noted cash balance declines and announced new investments, including a fully funded middle school and sixth grade STEM (science, technology, engineering and math) academies at all middle schools within five years.

Dona Ana County Commission Chair Christopher Schaljo-Hernandez highlighted the county's updated infrastructure capital improvement plan priorities, disaster relief efforts after recent floods, and proposed \$140 million general obligation bonds focused on infrastructure, flood protection, and quality-of-life projects. He emphasized aligning investments with the county's strategic plan, including community center upgrades, recreation facilities, and fairground improvements, to support residents and future economic growth.

Las Cruces Mayor Eric Enriquez welcomed the committee, thanked them for nearly \$7 million in funding, and emphasized partnerships with schools to support youth and public safety. They voiced strong support for a career technical education program and noted a local gross receipts tax increase to fund infrastructure, urging continued legislative support.

Funding Performance through the Higher Education Funding Formula (9:23 AM [click here for meeting materials](#)) LFC Analyst Connor Jorgensen explained New Mexico's higher education funding formula, which uses a "base plus" model that protects current funding and allocates new money based on performance and market share. Mr. Jorgensen outlined that 80 percent of new funds go to shared performance measures, like credit hours, STEM/healthcare/workforce awards, and at-risk student awards, while 20 percent go to mission-specific measures, such as research and momentum points. Mr. Jorgensen noted that not all institutions qualified for performance funding, with unallocated funds redirected through standard market-share allocations. Mr. Jorgensen also discussed enrollment trends, tuition disparities across institutions, and the absence of a statewide definition of funding adequacy. Legislators raised policy questions about increasing performance weights, addressing low student retention, and modernizing the formula to reflect online education and non-credit career and technical education programs.

Higher Education Student Housing Needs and Opportunities (10:08 AM [click here for meeting materials](#)) LFC Analyst Cally Carswell presented an overview of student housing at New Mexico's higher education institutions, noting that most four-year schools are near or over 100 percent occupancy and demand has increased since the pandemic, with several now maintaining waiting lists. Ms. Carswell highlighted aging facilities and maintenance backlogs, noting Highlands faces significant costs while Eastern New Mexico University has kept up through proactive maintenance. Housing rates generally range from \$2,700–\$3,500 per semester and have risen modestly since 2019, often remaining below market rates to preserve affordability. Ms. Carswell discussed the potential for state participation in housing projects, previously excluded from capital outlay, suggesting a model that could help subsidize construction costs while allowing institutions to use debt financing to maintain student affordability.

Interim Vice President for Administration and Finance Christian Kinsley emphasized that housing is central to student success, recruitment, and campus life, noting that housing now represents students' largest cost because tuition is largely covered by the opportunity scholarship. NMSU currently maintains about 3,300 beds, with occupancy projected near 98 percent after policy changes to fill beds with sophomores, though demand still exceeds supply. Mr. Kinsley outlined

\$220 million to \$280 million in capital renewal needs for aging housing, citing modernization issues like outdated wiring and infrastructure. Mr. Kinsley discussed financing options, including bonds and public-private partnerships (P3s), noting that both require careful rate-setting and that P3s often result in higher student costs but shift long-term risk to private partners. Mr. Kinsley urged that even limited state support could help New Mexico State University move forward with replacement housing and avoid situations like the long-abandoned Cole Village, which is costly to demolish.

The Future of New Mexico Division I Athletics [*\(11:00 AM, click here for meeting materials\)*](#)

Acting Athletic Director Amber Burdge from New Mexico State University (NMSU) and Athletic Director Fernando Lovos with the University of New Mexico (UNM) delivered a joint presentation on the challenges and opportunities facing Division I athletics in New Mexico. They explained the impacts of the *House v. NCAA* settlement, which requires forfeiting about \$500 thousand in NCAA revenues annually for 10 years to cover back damages and allows schools to share up to \$20.5 million in revenue with athletes for “name, image, and likeness” (NIL) compensation, though UNM and NMSU will remain far below that cap. They reviewed federal proposals like the SCORE Act, which would create a national NIL standard, maintain student-athlete nonemployee status, and require greater transparency. They also discussed the transfer portal’s “free agency” effect, noting that keeping players has become as critical as recruiting them and now includes NIL as part of retention. Conference realignment is driven largely by television revenue, with UNM missing consideration for higher conferences due to football performance, outdated facilities, and a \$15 million budget gap compared to peers, while NMSU also faces a smaller funding gap and heavy travel demands in Conference USA. Financially, UNM has balanced its \$52 million to 54 million budget for five consecutive years with 55 percent self-generated revenue and continued state support, while NMSU has recently balanced its budget but projects a deficit for FY26 without institutional aid and increased ticket sales. Both emphasized that greater investment in infrastructure, football programs, and student-athlete services is critical to remain competitive, prepare for the next wave of realignment, and ensure their programs continue to graduate athletes and make New Mexico proud.

Welcoming Remarks [*\(12:25 PM, click here for meeting materials\)*](#)

New Mexico State University (NMSU) President Valerio Ferme shared an update on enrollment, reporting nearly 1,000 more students than last year, strong on-campus housing demand, and record participation in freshman convocation. Mr. Ferme emphasized NMSU’s commitment to being the state’s premier residential campus, highlighting the new 1888 Leadership Initiative to build leadership skills, efforts to improve retention, now at 75.5 percent with a goal of 80 percent, and plans for a new strategic roadmap focused on student success. Mr. Ferme outlined priorities, including expanding cooperative education and paid internships, aligning education with workforce needs, and embedding experiential learning across two- and four-year colleges. Mr. Ferme also highlighted research initiatives such as the new Institute for AI and Machine Learning and its first BS degree program launching in 2026, as well as NMSU’s contributions in agriculture, water research, defense, and advanced technology fields. Finally, Mr. Ferme stressed NMSU’s land-grant mission of public service, including modernizing Extension efforts, workforce upskilling, and industry partnerships to meet state needs.

Overview of Water Resources in New Mexico [*\(1:11 PM, click here for meeting materials\)*](#)

Deputy State Engineer Tanya Trujillo and Interstate Stream Commission Director Hannah Riseley-White provided a high-level overview of New Mexico's water management efforts, emphasizing collaboration across agencies, interstate compact compliance, and Indian water rights settlements. They highlighted the *50-Year Water Action Plan*, which focuses on water conservation, education, agricultural and municipal efficiency, developing new water supplies, including a Strategic Water Supply Program, and improving water quality and watershed protection. Key priorities include modernizing water management through better metering and enforcement, investing in the Rio Grande to ensure compact compliance and increase water delivery to Elephant Butte Reservoir, and implementing the new Water Security Planning Act to create prioritized regional water plans. They stressed the importance of planning ahead for a hotter, drier future, prioritizing projects for legislative funding, and improving groundwater data through aquifer mapping to support long-term water security.

Water Research-Desalinization and Aquifer Mapping Opportunities [*\(1:27 PM, click here for meeting materials\)*](#) Stacy Timmons from the New Mexico Bureau of Geology and Mineral Resources outlined the state's new aquifer-characterization program, thanking lawmakers for startup funding and noting the bureau's roles in aquifer mapping and monitoring, the Water Data Initiative, and water education. Guided by the 50-year plan, the goal is to fully map major and minor (fresh and brackish) aquifers by 2032 and build a statewide network of 100+ dedicated monitoring wells by 2037. To address complex geology and big data and monitoring gaps, the team is compiling historic borehole data, launching airborne electromagnetic surveys and new well drilling in priority regions (Estancia, Mimbres, Lower/Middle Rio Grande, Animas), and publishing 3D subsurface models and real-time water-level data. Funding for FY25 included \$7.5 million in nonrecurring funds and added staff; the bureau has \$1.15 million recurring in FY26 and anticipates requesting approximately \$1 million more recurring plus approximately \$20 million nonrecurring to sustain statewide coverage.

Gretel Follingstad from Climate Resilient Water Systems thanked legislators for funding the state's aquifer characterization program and emphasized the urgent need to address New Mexico's groundwater challenges. Ms. Follingstad highlighted the forthcoming 360 Groundwater Report, which identifies major data gaps, notes that 24 of 33 counties and 87 percent of community systems rely on groundwater, and documents widespread declines in key aquifers like the Ogallala and Estancia. Ms. Follingstad urged proactive planning, basin-specific and locally driven groundwater management, and support for programs that recharge aquifers, modernize governance, and build local capacity. The Environmental Defense Fund advocates for fully funding aquifer mapping, incorporating traditional and tribal knowledge, and providing technical assistance to ensure a water-secure future for New Mexico.

Pei-Xu with New Mexico State University (NMSU) highlighted the university's work on brackish groundwater research and desalination as a key strategy to expand New Mexico's water supply without competing with municipal or agricultural allocations. Through a partnership with the Environment Department, NMSU characterized brackish aquifers at 19 sites, analyzing over 300 constituents, including salts, metals, radionuclides, and PFAS and found that while most contaminants were low, some exceeded drinking water standards and require treatment. Ms. Pei-Xu emphasized that brackish water desalination is a proven, mature technology, with 70–83 percent recovery rates but poses challenges in managing concentrate waste and higher costs.

Ongoing NMSU research focuses on high-recovery technologies, brine reuse and producing ultra-pure water to support industries like semiconductors. Ms. Pei-Xu underscored NMSU's strong infrastructure, labs, and workforce capacity to partner with state agencies on feasibility studies, pilot projects, and community engagement to advance sustainable water development in New Mexico.

Investments to Increase Water Delivery [*\(3:10 PM, click here for meeting materials\)*](#) LFC Analyst Austin Davidson reported that the Legislature has steadily increased recurring budgets for the Office of the State Engineer (OSE) and Environment Department (NMED) by a combined \$16.3 million (31 percent) over three years, while providing \$1.1 billion in non-recurring water funding. Recent appropriations include \$40 million for the strategic water supply, \$25 million for Indian water rights settlements, \$5 million for the Water Security Planning Act, and significant funding for infrastructure, litigation, and workforce development. NMED's budget grew 45 percent in three years and OSE's by 21 percent, and the Legislature provided \$188.5 million in one-time funds for water projects. The state also invested heavily through the Water Trust Board (\$200 million plus \$158 million in severance tax bonds) and supported aquifer mapping, desalination research, and conservation programs. Mr. Davidson noted, while recurring support strengthens agency capacity, the state has also made major nonrecurring commitments to long-term water security and infrastructure statewide.

Secretary James Kenny with the Environment Department (NMED) outlined NMED's progress in water protection and infrastructure. Secretary Kenny noted, while funding and staffing have improved since 2019, the Water Protection Division still relies on federal funds for about 72 percent of its budget, making continued support critical. Secretary Kenny highlighted key initiatives under the *50-Year Water Action Plan*, including a successful statewide water leak detection pilot, the \$40 million Strategic Water Supply Program for brackish desalination, and efforts to expand water reuse and produced water treatment. Secretary Kenney reported progress on groundwater cleanup funded by a \$20 million appropriation, ongoing surface water permitting rule development, and over \$550 million invested in water and solid waste projects since 2019. Secretary Kenny also emphasized the River Stewardship Program's 75 projects as a model for direct community investment and suggested further funding to meet statewide water quality and infrastructure needs. State investments in Indian water rights settlements not only leverage about \$3 billion in pending federal funding but also fund on-the-ground projects to help communities implement settlements and improve water management today. Legislators appropriated roughly \$393 million in nonrecurring funds last session, including \$200 million for the Water Trust Board, as well as funding for Rio Grande channel improvements, the Strategic Water Reserve, and implementation of the Water Security Planning Act to support regional planning, data tools, and education.

Miscellaneous Business (4: 03 PM)

Action Items. Senator Muñoz moved to adopt the LFC July 2025 meeting minutes, seconded by Senator Woods and Representative Dixon. The motion carried.

Senator Muñoz moved to adopt the LFC July subcommittee 2025 meeting minutes, seconded by Senator Woods and Representative Dixon. The motion carried.

Representative Dixon moved to adopt LFC contracts, seconded by Representative Herrera. The motion carried.

Senator Muñoz moved to adopt LFC budget guidelines, seconded by Representative Dixon. The motion carried.

Review of Monthly Financial Reports and Information Items. LFC Director Charles Sallee briefed the committee on remaining information items.

Federal Funds Update (4: PM, [click here for meeting materials](#)) Director Charles Sallee warned that the recent budget reconciliation bill triggered federal pay-as-you-go (PAYGO) rules, which if not suspended by year's end, could lead to 4 percent cuts to Medicare and reductions to many domestic programs, including crime victim funds, effectively shifting appropriations power to the Office of Management and Budget. Congress may also pursue another reconciliation bill and a rescissions package, complicating the appropriations process. Key impacts include modest tax relief for most households, a \$50 billion Medicaid rural health transformation program, potentially \$100 million for New Mexico), and significant future Medicaid changes, such as work requirements, reduced provider taxes, and phased cuts to hospital directed payments beginning in 2028. These could shrink state revenues by over \$1 billion, reduce employment by about 9,000 jobs, and cut gross domestic product by roughly \$847 million, prompting calls to plan for rural hospital support, supplemental nutrition assistance program (SNAP) sustainability, and strategies to transition individuals off Medicaid while maintaining health coverage.

Thursday, August 21 ([click here for webcast](#))

The following members and designees were present on Thursday August 21, 2025, 2025: Chairman Nathan P. Small; Vice Chairman George K. Muñoz; Representatives Meredith A. Dixon, Jack Chatfield, Derrick Lente, Joseph Sanchez, Rebecca Dow, Harlan Vincent, and Susan Herrera; and Senators Benny Shendo, William Soules, Pat Woods, Micheal Padilla, Nicole Tobiassen, Steve D. Lanier, and Pete Campos. Guest legislators: Representatives Mark Duncan, Brian G. Baca, Debra M. Sariñana, Micaela Lara Cadena, Charlotte Little, and Sarah Silva. Senator William E. Sharer

New Mexico Nonprofits Economic and Family Impacts (8:10 AM, [click here for meeting materials](#)) Chief Executive Officer Terra Winter from Community Foundation of southern New Mexico reported on the 12 counties that her agencies work with to drive change in southern New Mexico. Over the past year, the coalition has worked to provide multiple trainings and developed resources on how federal funding cuts will impact the state as well as partners in southern New Mexico and asked for support from the legislature to help with shortcomings from these impacts.

Chief Executive Officer Dawn Z. Hommer from Community Action Agency of Southern New Mexico and the New Mexico Association of Community Partners spoke on the vital role of community action agencies (CAAs) in New Mexico and the impacts of federal cuts. Ms. Hommer asked for the Legislature to include \$4.5 million in the Health Care Authority budget for CAAs to sustain and expand the work they do that includes Early Head Start, employment training, housing stability, youth leadership, and senior programs.

Executive Director Lorenzo Alba Jr., from Casa de Peregrinos Food Pantry shared the growth of

the program. Through capital outlay funding, which made the building possible, Casa de Peregrinos has provided 7.4 million pounds of food for the community in just a year. Mr. Lorenzo shared testimonies from clients who utilize the facility that have concerns about the possibility of the building shutting down due to federal cuts.


Program Evaluation: Public School Lunch Coverage Cost [*\(8:41 AM, click here for meeting materials\)*](#) LFC Program Evaluators Ryan Tolman, Ph.D., and Josh Chaffin, Ph.D., presented an evaluation of New Mexico’s Healthy Universal School Meals Program, which provides free, high-quality meals to all public school students regardless of income. The evaluation highlights that participation in school meals has significantly increased since the 2023 implementation, especially among students who previously did not qualify for free or reduced-price meals. However, improvements in meal quality remain unclear due to delayed monitoring of scratch cooking, local food sourcing, and food waste reduction, which the Public Education Department will begin enforcing this school year. The program faces challenges, particularly for small districts and charter schools, including kitchen infrastructure, staffing shortages, and higher costs. Funding relies on federal reimbursements and state support, with supplemental appropriations needed due to budget overruns. The evaluation also notes that New Mexico now leads the nation in community eligibility provision (CEP) participation at 99 percent of schools. Key recommendations include stronger oversight of state equalization guarantee fund use, a standardized student satisfaction survey, kitchen staff training, compliance tracking for quality standards, and faster disbursement of infrastructure funds. If implemented, these steps could help New Mexico meet its ambitious goals for meal quality and serve as a national model for universal school meal programs.

Assistant Secretary at the Public Education Department (PED) Greg Frostad praised New Mexico’s Healthy Universal School Meals program as a major achievement of recent years. Mr. Frostad highlighted strong evidence that healthy meals improve attendance and achievement and noted that some districts and several charters that previously did not participate in the National School Lunch Program now do. PED is maximizing federal funding, recurring state costs have leveled off, and the agency plans to request level funding for FY27. While SNAP eligibility changes may reduce federal reimbursements, PED is pushing schools to qualify under the community eligibility provision to stabilize eligibility for the next four years. Mr. Frostad appreciated the LFC’s evaluation and said most recommendations were already slated for action in this first full implementation year.

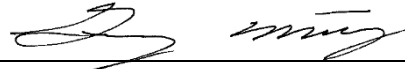
Student Success and Wellness Bureau Deputy Director Laura Henry-Hand highlighted New Mexico’s leadership in addressing childhood hunger through universal free school meals and the department’s commitment to helping schools meet meal quality requirements. Ms. Henry-Hand noted that many schools are already working toward freshly prepared meal standards and investing in kitchen upgrades, with examples like Bernalillo’s \$2 million infrastructure improvements and Farmington’s pledge to spend 10 percent of its food budget on local products. The department has redirected \$2 million to sustain the New Mexico Grown program, expanded trainings statewide, launched a new Chef Symposium, and is rolling out a student and family survey to guide menu improvements. Ms. Henry-Hand also stressed accountability, monitoring school expenditures, updating vendor contracts, and maximizing federal reimbursements, while requesting continued legislative support to fully fund the program and ensure all students have access to nutritious meals.

Capital Outlay Quarterly Report [*9:52 AM, click here for meeting materials*](#) LFC Analysts Cally Carswell and Antonio Ortega presented the fourth quarter FY25 Capital Outlay Quarterly Report, noting that outstanding balances have surpassed \$7 billion across roughly 6,500 active projects, driven by several years of high revenues and large appropriations. Most balances are tied to legislatively authorized projects, severance tax bond earmarks, and nearly \$2 billion in the public school capital outlay fund. Local projects make up 74 percent of all projects, often smaller in scale, which raises questions about how to leverage funds for larger, more impactful investments. About \$500 million was spent last quarter, higher than average, reflecting increased year-end activity. Ms. Carswell also reviewed trends in earmark programs, including the Water Trust Board, which awarded nearly \$150 million to 60 projects and expects growing demand, especially with new eligibility for wastewater projects. Mr. Ortega highlighted the status of 927 projects totaling \$5.7 billion, with 53 fully completed and 296 showing little or no activity. Mr. Ortega summarized key updates on senior center projects, local infrastructure, IT upgrades, state park improvements, and higher education construction. The report also identified nearly \$200 million in authorized but unissued funds due to audit or readiness issues and noted efforts to launch a new capital project management system to improve oversight.

With no further business, the meeting adjourned at 11:49 a.m.



Nathan P. Small, Chairman



George K. Muñoz, Vice Chairman