

Review of Federal Changes, State Responses and Best Practices

New Mexico Federal Funding Stabilization Subcommittee

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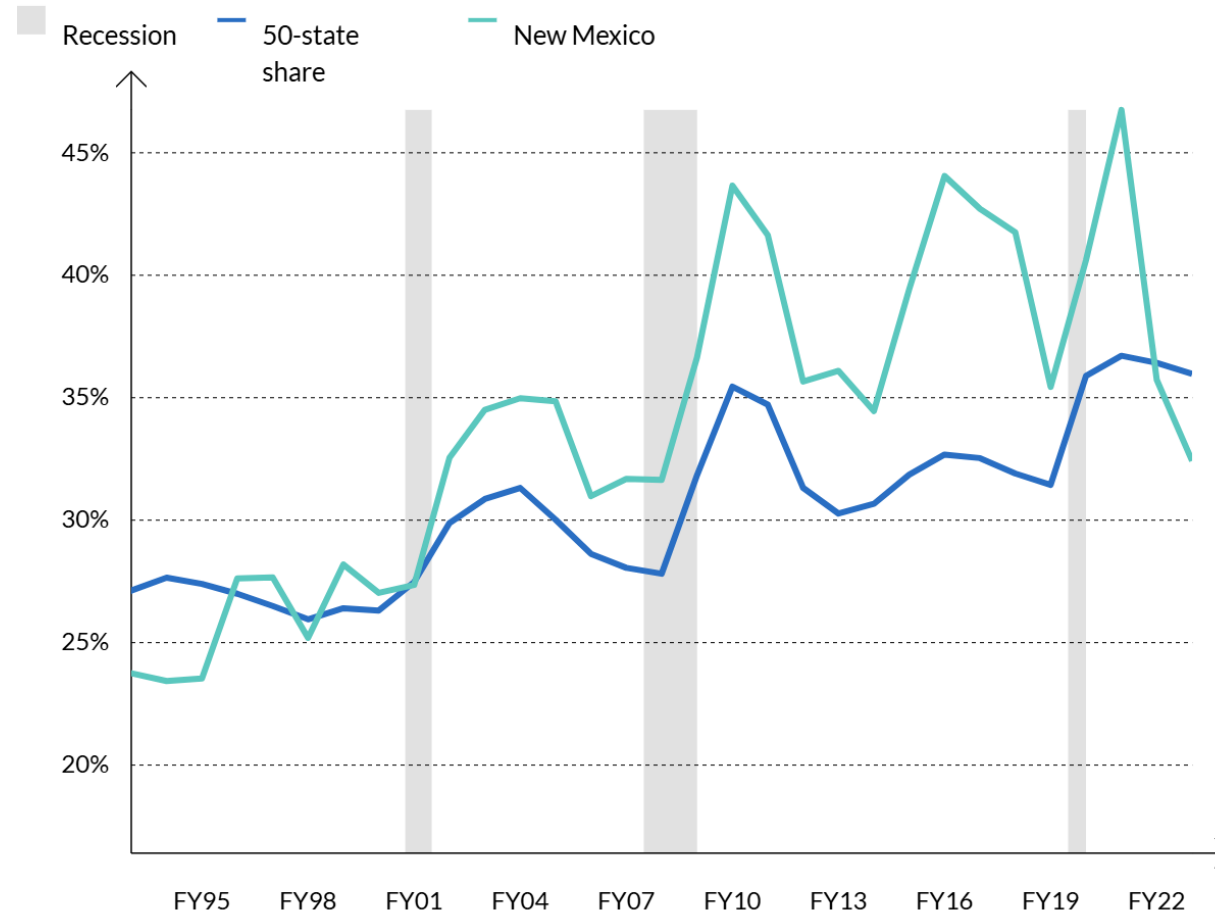
Federal funds: Key to state budgets, but facing stressors

- Federal funds are key to state budgets
 - One third of New Mexico's revenue
- Short-term: The federal shutdown
 - Implications for federal workers, state economies, and programs like SNAP
- Medium-term: The reconciliation bill
 - Implications for tax policy and revenue streams as well as major programs like Medicaid and SNAP
- Long-term: Federal funds are a complex part of state budgeting
 - Best practices for managing federal funds through times of stability and uncertainty

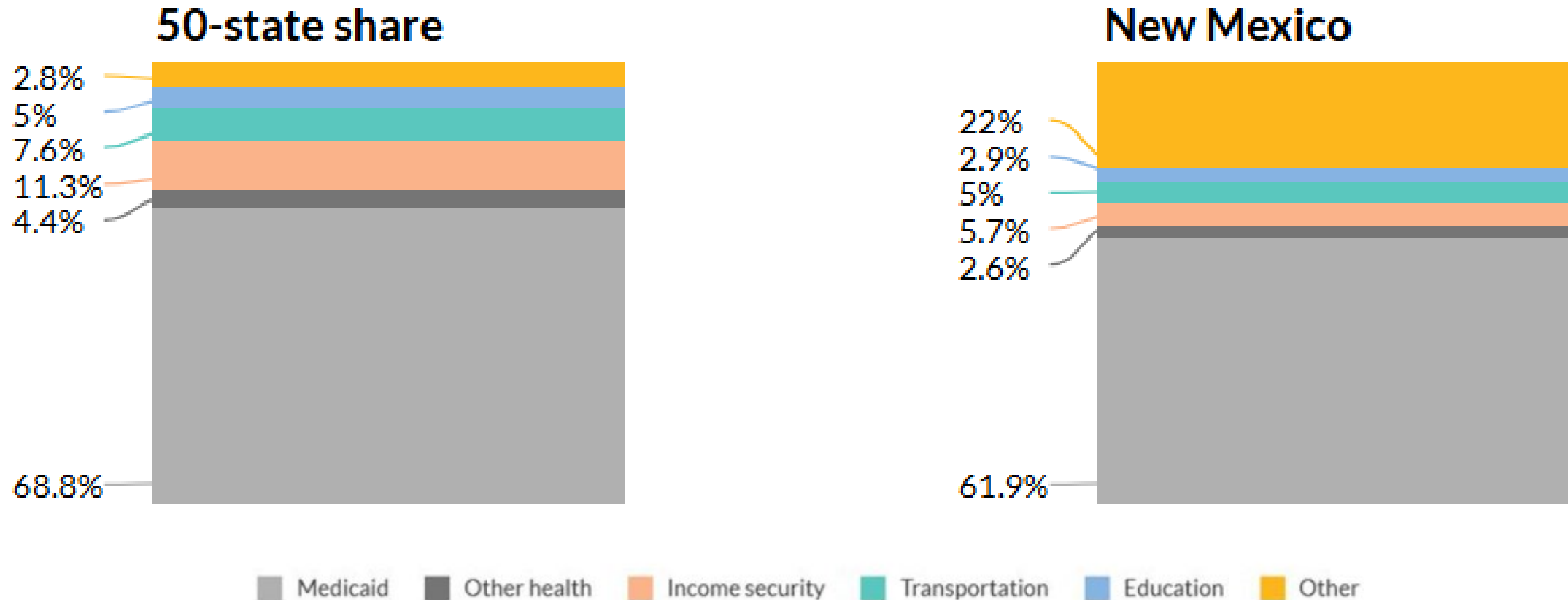
Federal funds are a key revenue source for New Mexico

Percentage of State Revenue from Federal Funds

Fiscal years 1973-2023



Share of federal revenue by policy area



The federal shutdown: Short-term uncertainty for states

- Funding lapses occur at different times for different programs
- Various functions are paused or disrupted, including for rulemaking, grant making, and technical assistance
- Many states release mitigation plans for shutdowns
 - What to continue funding, for how long, and with what funds
- Filling in gaps: Uncertainty in SNAP benefits have led to state action
 - Many states, including NM, are spending state dollars to backfill SNAP benefits or provide emergency food assistance
 - Some are partially covering SNAP benefits, others are boosting funds to food banks and pantries

OBBBA: State considerations and actions

Major areas of state impact:

- **Revenue:** Extends and modifies 2017 tax policy
- **Medicaid:** New work requirements, increased enrollment eligibility, and provider tax limitations
- **SNAP:** Shifts some administration costs and benefit payment responsibilities to states

OBBBA: State considerations and actions

How other states are responding:

- **Arizona:** State Medicaid agency sets aside funds for emerging staffing and IT costs
- **Rhode Island:** Hired a consultant and launched a weekly cross-agency group to focus on SNAP error rate reduction
- **Connecticut, New Mexico, Colorado:** Holding special sessions to address issues

Best Practices: How States Successfully Manage Federal Funds in Uncertain Times

- **Prioritize transparency and clarity:** Be transparent about federal funds - how they are used and whether they are one-time or recurring monies.
- **Invest in people, systems, and resources for federal funds management:** Invest in the people, systems, and resources necessary to acquire, manage, and distribute federal funds.
- **Coordination and collaboration:** Ensure strategic use of funds in service of state-identified priorities across agencies and levels of government.

Questions?

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Managing Fiscal Risks

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