



NEW MEXICO  
LEGISLATIVE  
FINANCE  
COMMITTEE

## Federal Budget Update

Charles Sallee, Director, Legislative Finance Committee  
November 2025

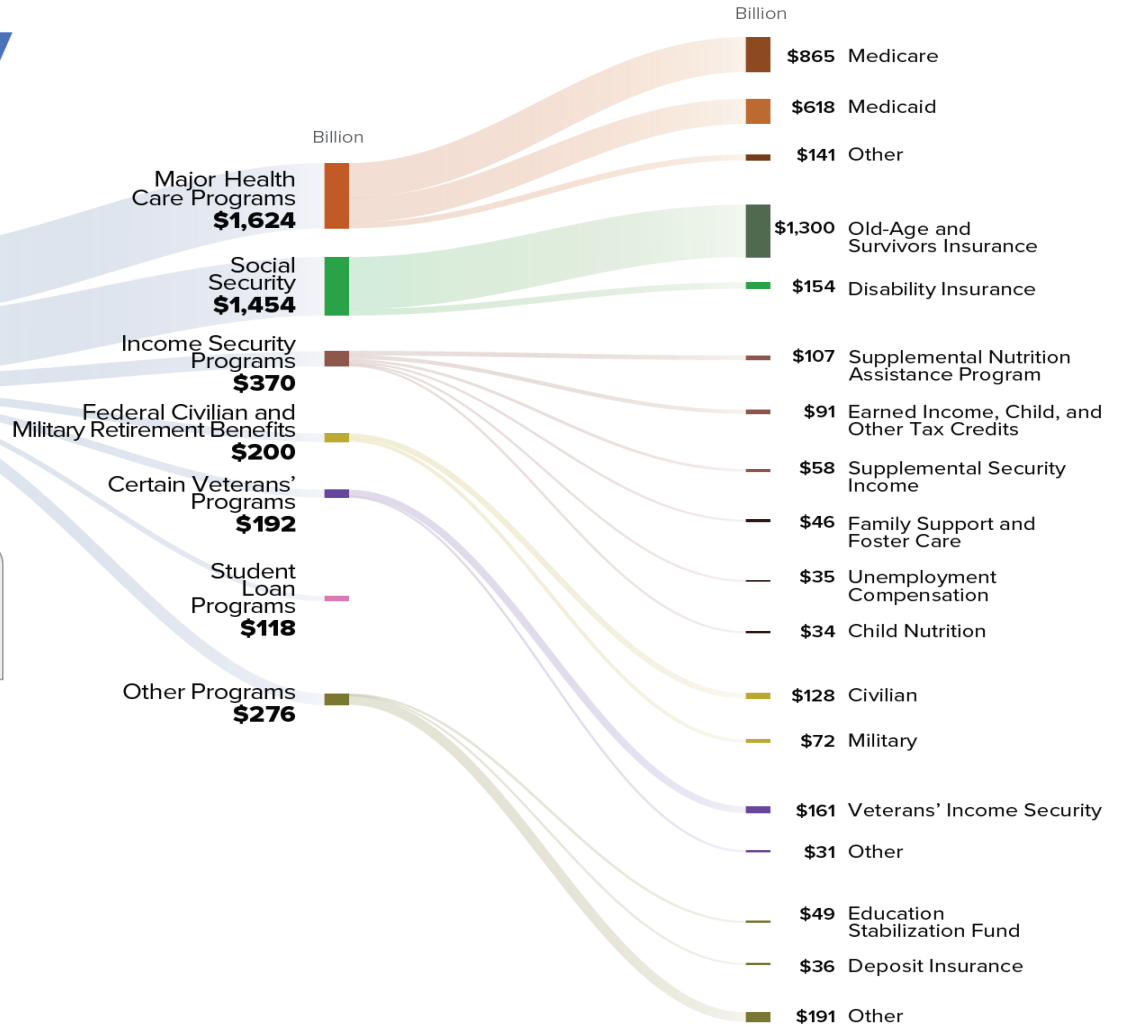
# Federal Mandatory Spending – FY24

## 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

# Federal Government Shutdown

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- On October 1<sup>st</sup> the federal government shutdown because Congress did not reach a compromise on a continuing resolution
  - As benefits, grants, and employee salaries continue to be cut off, the impact will continue growing.
  - Impacts vary widely with programs falling primarily 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 year drawdowns. 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 and opioid response grants)
    - Carryover spending is prohibited, and the government will not process any payments.
  - According to FFIS tracking, as the shutdown continues, more programs are moving into the third category such as: Head Start, LIHEAP, Aging Grants to States, WIC, SNAP, SNAP Administration, and Impact Aid.
    - However, the federal government used tariff revenue to fund WIC for October and November.



# Federal Government Shutdown: SNAP

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- In FFY 2024 and 2025 Congress appropriated contingency funds to distribute Supplemental Nutrition Assistance Program (SNAP) benefits in the case of a lapse in funding or another emergency.
  - At about \$5 billion, contingency funds alone are not sufficient to cover the full cost of November benefits estimated at \$8 billion. But Tarriff revenue is also available.
- The Department of Agriculture released a memo stating that contingency funds are not legally available to cover the cost of regular benefits.
- Several states sued, and two federal courts required the federal government to distribute SNAP.
  - In response, the federal government announced that it would partially distribute SNAP benefits using the contingency funds but would not use tariff revenue to cover the full cost of benefits.



# Federal Government Shutdown: SNAP

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- New Mexico's governor issued 40 executive orders to distribute \$30 million in SNAP benefits from state contingency funds.
  - The Health Care Authority spent about \$250 thousand to update its IT system to distribute the state funds through the electronic benefits system.
  - The benefits were distributed on November 1<sup>st</sup>.
  - A typical month of SNAP in the state costs about \$81 million.
- The memo from the Department of Agriculture also said that states cannot cover the costs of benefits and expect to be reimbursed, because there is no legal authority to do so.



# PAYGO Sequestration Under Reconciliation

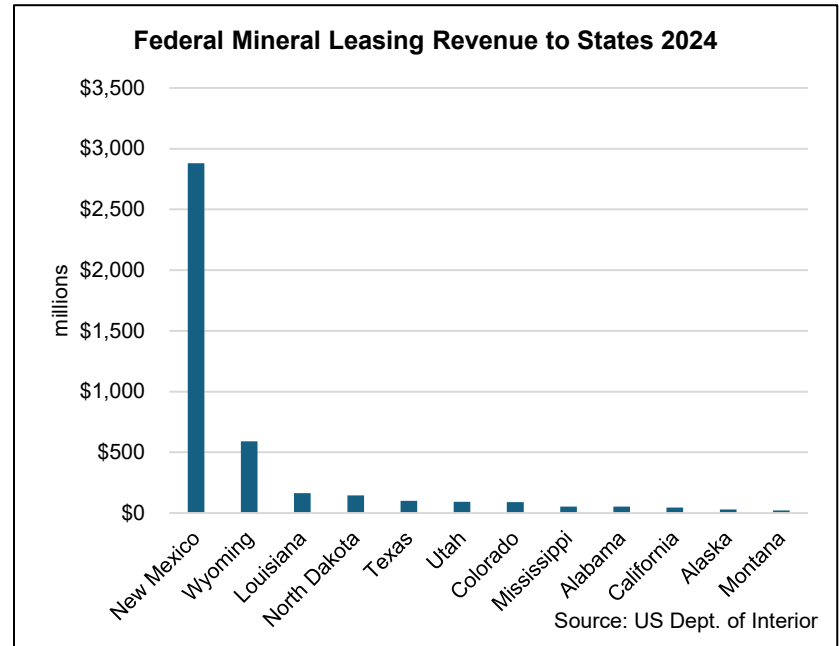
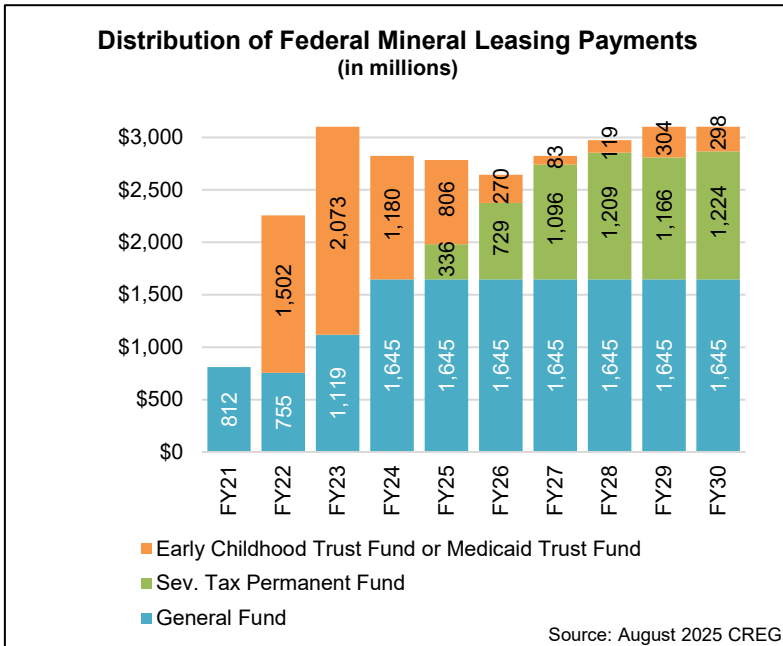
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- Pay-As-You-Go (PAYGO) was enacted in 2010 to prevent new tax and spending legislation from increasing the federal budget deficit.
  - The Federal Office of Management and Budget must offset spending increases by ordering annual across-the-board program 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.
  - Sequestrable programs include federal mineral leasing, the crime victims fund, Maternal, Infant, and Early Childhood Home Visiting Programs, Promoting Safe and Stable Families and many others.



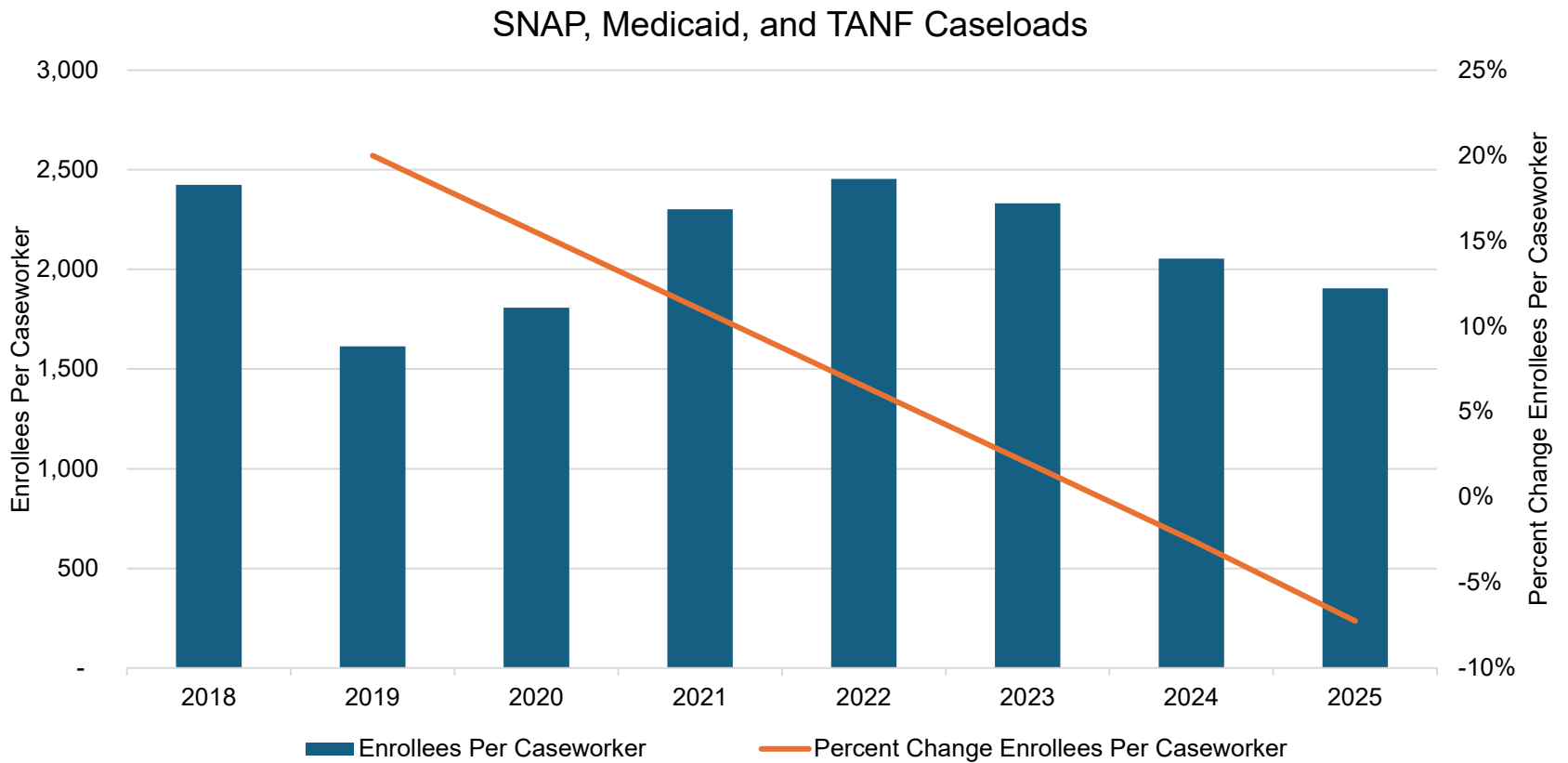
# PAYGO Sequestration Under Reconciliation

- Federal mineral leasing payments are a significant concern with PAYGO since the state receives 67 percent of the disbursement. The federal government disbursed \$4.29 billion in 2024, of which \$2.8 billion went to New Mexico.





# SNAP, Medicaid, and TANF Caseloads



Source: LFC Analysis of SPO Tool Report and Enrollment Dashboard





### For More Information

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

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