



2025 Federal Funds Overview Update

Federal Funding Stabilization Subcommittee

July 2, 2025

Representative Patricia A. Lundstrom, Co-Chair

Senator William P. Soules, Co-Chair



New Mexico
Department of Finance
and Administration

Types of Federal Funding

Types:

- **Block Grants** provide fixed funds for broad purposes, based on formulas in authorizing laws (e.g., HUD CDBG grants).
- **Competitive (Discretionary) Grants** are awarded through a competitive process (e.g., HUD Youth Homelessness, solar energy grants).
- **Formula Grants** are allocated based on criteria set by Congress (e.g., DOJ Byrne Justice Assistance Grants).

Characteristics of Certain Block/Competitive/Formula Grants:

- Funding for specific projects with detailed application requirements (e.g., HHS Family Violence Prevention Grants).
- Grants that require state/tribal/local cost-sharing (e.g., RHS Community Facilities Disaster Repair Grants).
- Funding that requires the recipient to meet certain federal conditions (e.g., DOT highway funds tied to a minimum drinking age of 21)



How federal funds make their way to New Mexico

The four major federal funding flows into New Mexico include:

Direct Payments – to individuals and the state.
Examples: Social Security, federal retirement, Medicare, SNAP, etc. Federal Royalty Rates.

Grants – to state and local governments to carry out federal programs.
Examples: Medicaid, highway programs and education assistance.

Procurement – federal purchase of goods and services.

Salaries/Wages – paid to federal military and civilian employees

The two primary methods of receiving payment are:

Reimbursement – The state is paid back or reimbursed for eligible expenses after the entity meets the eligibility requirements of the specific program/grant.

Advance payment – The state receives a portion of the eligible funds upfront and requests the remainder on a reimbursement basis.

Specific grant guidelines, the recipient's fiscal governance, and the nature of the project influence payment methods.

DFA's Federal Working Group:

Monitoring Delays & Reductions

Federal Funds Tracking Working Group

Established through the State Controller's Office in January 2025.

Convenes to:

- Discuss the federal funding landscape.
- Share notices, letters, and information from federal entities.
- Support compilation of accurate data related to updates on payments, delays, terminations, pauses, or other disruptions to the flow of federal funds.
- Identify and monitor specific grants of concern.

Monthly Meetings with Agency CFOs

Hosted by the Controller's Office to focus on:

- Sharing federal funding trends.
- Providing guidance and best practices for navigating funding issues.

DFA Internal Working Group

Reviews:

- All federal grants.
- Executive orders.
- Cancellation notices.
- Potential changes in federal legislation.
- Compiles a list of discontinued grants.
- Develops recommendations to include state funding in future budgets for critical programs losing federal support.

Coordination with State Budget Division

Ensures agencies:

- Monitor their federal funds.
- Manage budgets, staff, contractors and programs effectively when federal funds are revoked or delated.
- Collaborates with agencies to identify alternative funding sources for terminated grants.

DFA's Federal Working Group:

Update on Terminated Grants**

\$24.5M in terminated grants at State Agencies:

- Digital Equity Planning at OBAE: \$8.7M
- Various Workforce Solution grants at DWS: \$8.9M
- Building Resilient Infrastructure and Communities grant at DHSEM: \$4M
- Various public safety grants at DPS: \$101K
- USDA food assistance at NMSU/NMDA: \$2.8M

**There have been attempts to terminate other grants that have been prevented by court order

Appendix: Additional Resources

Potential Federal Funding Impacts

Federal funding changes have come in three main methods:

Delays

Federal funding distributions have been delayed due to staffing shortages and administrative bottlenecks within federal agencies.

These delays often impact grant reimbursements, contract execution timelines, and the launch of state-level programs.

Examples: Delayed Medicaid funding, FEMA 30-day review

Cancellations

Some federal funding streams have been terminated outright by federal agencies due to shifting national priorities or policy changes.

However, several of these cancellations have been temporarily halted by court injunctions as legal challenges are resolved.

Examples: Department of Labor grants to DWS

Reductions

Federal distributions have been reduced through policy revisions, updated formulas, or rescissions of previously awarded funds.

These reductions often require the state to backfill funding or scale back the scope. The state is aware of potential reductions, but nothing is concrete.

Examples: Federal Royalty Rates

FY26 New Mexico Federal Budget

Total State Budget:
\$33.16B

Total Federal Funding:
\$14.44B (43.5%)

Agency	Total Budget	Fed Budget	% Fed Budget
ALTSD	97,812.4	14,521.8	14.8%
CYFD	396,098.3	94,940.7	24.0%
DHSEM	418,471.3	256,364.7	61.3%
DGF	53,237.5	17,303.4	32.5%
DMA	36,276.1	25,685.9	70.8%
DOH	593,998.6	192,664.5	32.4%
DOT	1,303,653.3	579,513.8	44.5%
DVR	64,080.1	55,862.6	87.2%
DWS	138,409.0	97,490.8	70.4%
ECECD	996,310.7	152,623.8	15.3%
EMNRD	243,028.8	139,695.2	57.5%
HCA	15,067,059.0	11,171,751.0	74.1%
NMED	232,236.4	95,498.9	41.1%
NMSU	917,638.9	238,700.0	26.0%
PED	69,331.7	34,902.6	50.3%
PSS	5,253,907.2	579,500.0	11.0%
UNM	2,165,828.6	400,833.5	18.5%

FY26 New Mexico Federal Budget

Notable Federal Allocations FY26 budget

- **HCA:** \$8.8B Medicaid, \$1.4B income support
- **ECECD:** \$125M for Child Care Development Block Grant and food program
- **DOH:** \$108M public health grants, \$51M epidemiology grants
- **EMNRD:** \$45M Forestry, \$32M Oil Conservation
- **CYFD:** \$86M protective services funding
- **DWS:** \$26M employment services

State Employees

FCD is monitoring the impact on state employees salaries funded with federal funding.

- 2,015 employees 100% funded by federal dollars
- 3,830 employees partially funded by federal dollars
- 5,845 total employees funded by at least a portion of federal dollars

DFA's Federal Working Group:

List of items currently being monitored

Reconciliation Bill – Final Voting Stage

- Currently in the final stages of the legislative process
- If enacted, the bill would implement significant spending cuts, including to:
 - Medicaid
 - SNAP (Food Assistance)
 - Higher Education Grants
 - Environmental and Clean Energy Programs
- DFA will continue to:
 - Engage with stakeholders on potential effect on NM
 - Collaborate with state and federal agencies on contingency plans
 - Identify alternative funding sources for impacted or terminated programs and grants
 - Work with the Governor's Office and the Legislature on budgets to adjust accordingly