LFC Newsletter

A publication of the **Legislative Finance Committee**

Representative Nathan Small, Chairman
Senator George Muñoz, Vice Chairman
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From the Chairman

Multigenerational

New Mexico, along with the rest of the country, is facing a critical shift in our generational demographics. Our public school enrollment is declining and graduating class sizes are expected to shrink by next year. At the same time, our aging population is growing. By 2030, those 60 and older will make up nearly one-third of the state's population.

The impacts of these demographic changes are widespread. Without changes, a growing population of retirees combined with fewer young adults will negatively impact everything from educational resources to workforce size to pension sustainability. This means New Mexico must increasingly focus on building a strong quality of life and expanding economic opportunities to keep our communities vibrant, make our young people want to stay, and attract new residents to our state.

Growing and diversifying our economy has been a key focus of our committee in recent years. We have taken important steps to grow our economic base by capitalizing on New Mexico's unique strengths—from our beautiful landscapes to our strong workforce and vibrant arts community.

This has meant expanding support for local companies and fostering homegrown entrepreneurship by providing early-stage capital and financial support to startups. The Legislature has also implemented incentives to attract new businesses to set up shop here through initiatives like our site readiness fund, while also investing in growing industries, from outdoor recreation and cultural tourism to biotech and quantum.

But this is ongoing work that requires a continued focus on maintaining a strong, resilient, and diverse state economy.

Strong public schools, safe communities, and access to affordable healthcare and housing are a must. Foundational features like universal childcare, tuition-free college, and fair tax policy also make it easier to put down roots and grow a family in New Mexico.

But we must also invest in the things that make a community feel like home. When the committee meets in Farmington next week, we will hear a report on the status of our recent investments in quality of life for New Mexicans. These investments in community amenities, such as county fairgrounds, recreation centers, parks, playgrounds, and picnic facilities, are funded through a small but highly valued capital outlay program.

We will also be hearing an update on Trails+, a grant system that funds outdoor recreation infrastructure and program development to expand access to our beautiful lands in communities statewide.

Of course, each of these elements are just one piece of the puzzle. We must continue to provide a foundation that supports the needs of working families, grow economic opportunities so folks can build strong livelihoods here, and invest in the extras that foster a sense of home and community. By prioritizing these key areas in the years ahead, we can overcome the challenges of our shifting demographics and build strong communities where families stay and grow for generations.

Representative Nathan Small
Chairman

Targeted Business Investment Could Improve State's Return

New Mexico could get more bang for its economic development buck if it invested in its distressed communities, but currently resources overwhelmingly go to the most successful labor markets, an LFC report finds.

New Mexico per capita personal income is among the lowest in the country, according to the report scheduled to be presented to the committee 1 p.m. August 26, but some counties are poorer than others, with per capita income in Santa Fe County above the U.S. average of $73.2 thousand a year and income in Cibola, McKinley, and Union counties among the lowest in the nation.

Staff report research shows cost-benefit ratio for jobs created in distressed labor markets is up to three times better than that for a job created in an average market, but New Mexico does not look at return on investment when considering the distribution of resources.

Since the 2017-2018 fiscal year, almost 70 percent of statewide economic development spending went to Bernalillo and Sandoval counties, high-population counties that rank above the state median per capita personal income rate but below the national average.

Data shows employers can find workers more easily in distressed labor markets than in markets where people already have jobs, which means creating a job in a distressed area has a bigger impact on unemployment and a larger rippling impact through the community.

Using economic modeling, LFC staff simulated the impact of creating 10 jobs in different regions and found 10 jobs in the most distressed areas might increase personal income by as much as $6.1 million. Ten jobs created in the areas with the best labor market might increase personal income by $1.7 million.

Since FY18, the report notes, Bernalillo County received an average of $48 per resident per year from the state's two discretionary business investment programs, while Rio Arriba County received an average of 60 cents per resident per year.

College Funding Strong, Outcomes Weak

New Mexico ranks second in the nation for state and local support for higher education and uses a funding formula intended to reward performance but still struggles with higher education performance, LFC staff report.

In a report presented to the committee in July, staff say New Mexico spends about $23 thousand per student in state and local funds, nearly twice the national average of $12.1 thousand.

Increased spending on scholarships has driven a 9 percent increase in enrollment over the past five years. However, New Mexico ranks 48th nationally for graduation rates and fell from 26th in college degree attainment in 2006 to 41st in 2024.

New Mexico uses a funding formula intended to reward schools with better course and degree completion rates. The formula—not in statute and adjusted annually by a technical committee of executive and legislative education and finance staffers—only allocates new money; institutions never receive less money than they did the year before.

The formula has factors for the number of end-of-course credit hours; total certificates or degrees awarded; awards in science, technology, engineering, math, health, and other high-priority fields; and awards for lower-income students.

However, the formula, last substantially revised in 2012, does not reward colleges that keep students through graduation or those that retain first-time, full-time students into their second year, an early indicator of whether a student will eventually succeed.

In the most recent report card on higher education performance, LFC analysis shows just 50 percent of first-time, full-time students at New Mexico Highlands University are still enrolled a year later. The retention rate for four-year schools is highest at New Mexico Tech, where 77 percent of first-time, full-time students stay a second year.

New Mexico four-year colleges would need to graduate another 614 students statewide to reach national average rates, LFC analysis shows. Notably, NM Tech and Eastern New Mexico University already exceed the national average.

The next LFC meeting is August 25-27 in Farmington. Find the LFC agenda here. Watch the meeting here.

Capital Outlay Balances Still in the Billions

At the end of the fourth quarter of 2025-2026 fiscal year, outstanding capital outlay balances totaled $7.6 billion across more than 6,400 active projects, LFC analysts estimate.

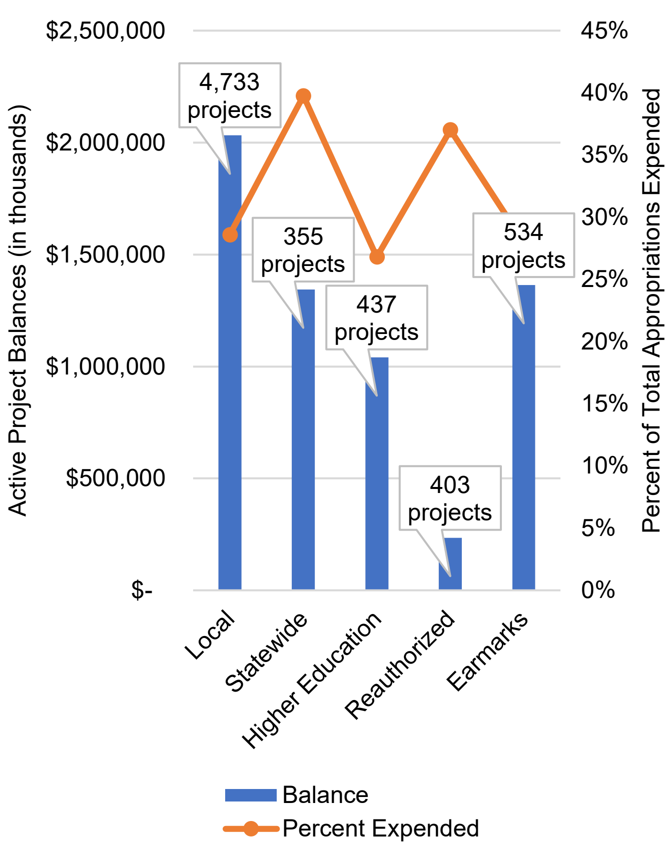
More than 70 percent of the 6,400 projects are local projects funded at the discretion of legislators, with balances topping $2 billion. These projects often fall behind schedule because of piecemeal funding and inadequate planning. Balances in the severance tax bond earmark programs—such as the Water Trust Board and tribal infrastructure fund—totaled $1.4 billion across more than 500 projects, reflecting continued surging revenues and additional legislative investment.

Reforms to state capital outlay law adopted in 2026 require the Department of Finance and Administration to freeze unspent balances for projects that are within six months of the end of their authorization periods and have not spent or committed any funding.

DFA reports 420 projects with 2027 expiration dates, with balances of more than $100 million, could be frozen under the new requirement. Of the projects with 2027 reversion dates, 249 will be ineligible for reauthorization because the 2026 reforms also limited the number of times funding for a project could be extended.

LFC capital outlay staff are scheduled to present the quarterly capital outlay report for the fourth quarter of FY26 at 9:30 a.m. August 27. They are scheduled to discuss quality of life and outdoor recreation investments starting at 8 a.m.

Outstanding Capital Outlay Balances



Source: LFC analysis

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Please contact LFC support staff support.staff@nmlegis.gov if you would prefer to receive this newsletter electronically.

On the Table

Low Enrollment Downs Two Charters

Two charter schools in Albuquerque will not open this school year because of low enrollment: Voz Collegiate Preparatory, opened in 2021 in the International District, and Equip Academy, scheduled to open this year in northwest Albuquerque. Meanwhile, the Public Education Department has directed the Las Cruces Public Schools to shut down its new Aspire Online School because the district did not have approval to open an online school. The 30 students who planned to attend Aspire will enroll in Rise Online Academy based in Gallup.

Health Benefits Cost Expected to Rise

Both state-funded health benefit programs are planning to seek large increases for the 2027-2028 fiscal year. The Health Care Authority is seeking a 10 percent increase for health benefits program for state employees, bringing the three-year increase to 45 percent. The Public School Insurance Authority is asking for an increase of 26.5 percent for next fiscal year, which would put the increase over two years at 39 percent. Because the state pay 80 percent of premium costs for state and public school employees, public employers will absorb most of the increase, including an estimated $53 million for state employees.

EDD Personnel Spending $1M Under

Preliminary figures suggest the Economic Development Department underspent its 2025-2026 personnel appropriation by about $1 million. The department transferred $505 thousand out of personnel to other categories, including $420 transferred out of personnel in the Technology and Innovation Division to contractual services to support a new division, and ended FY26 with a balance of approximately $500 thousand in its personnel budget. The Legislature has increased the agency's personnel budget by 48 percent in the past three years, despite lower requests from the agency.

Most Legislator GRO Funds Spent

About 96 percent of the $32 million in government results and opportunity funds allocated by individual legislators in 2024 was spent by the deadline of June 30, 2026.

Spending Fails to Slow Premium Increases

HealthCare.gov, the federal Affordable Care Act website, reports insurance companies offering plans through the New Mexico BeWell insurance exchange have asked for premium increases averaging 24.4 percent for 2027. According to the national health policy research organization KFF, the national median increase is 15 percent. KFF cites 2026 enrollment declines prompted by a reduction in federal premium subsidies as one reason for the premium increases nationally. However, New Mexico, which used state money to cover the loss in federal support, saw enrollment growth in 2026, the only state that did. Rate filings for two of the four insurance carriers offering plans on BeWell say rates need to go up because of medical inflation and increased care utilization.

$8M in Executive Orders Issued in 6 Weeks

The governor issues an executive order for $500 thousand on August 11 to fund National Guard wildfire response, bringing the total for the budget year that started July 1 to seven orders and $8 million.

Transitions

Morgan Lee, a former Associated Press reporter, will be the new analyst for economic development. Morgan has master's degree in journalism from Northwestern University and has covered New Mexico government, public finance, and policy for the last decade.

Kate Becker, University of New Mexico CEO, will retire effective December 15.