



Federal Budget Reconciliation Overview

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September 2025

Possible PAYGO Sequestration Under Reconciliation

- Pay-As-You-Go (PAYGO) was enacted in 2010 to prevent new tax and spending legislation from increasing the federal budget deficit.
 - Requires the Federal Office of Management and Budget to offset any increase in spending under new legislation by ordering annual across-the-board cuts to mandatory and direct spending programs.
 - The reconciliation bill increases deficits by \$3.4 trillion and will trigger these cuts, unless congress acts to override PAYGO at the beginning of 2026.
 - According to the Congressional Budget Office, required reductions would exceed sequestrable resources for covered programs
 - 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 the crime victims fund, Maternal, Infant, and Early Childhood Home Visiting Programs, Promoting Safe and Stable Families, Housing Trust Fund and many others.



Federal Budget Reconciliation – Medicaid Rural Health Transformation Program

- Reconciliation created the rural health transformation program to:
 - Improve access to hospitals and other healthcare providers to rural residents in the states,
 - Improve healthcare outcomes,
 - Strengthen local and regional partnerships,
 - Enhance the supply of clinicians through enhanced recruitment and retention,
 - Prioritize data and technology driven solutions that help rural hospitals, and
 - Other improvements



Federal Budget Reconciliation – Medicaid Rural Health Transformation Program

- Between FFY26 and FFY30 the program will allot a total of \$50 billion.
 - \$25 billion is to be distributed evenly among the states, equating to \$100 million per state per year.
 - \$25 billion is to be distributed based on grant scoring criteria determined by the Centers for Medicare and Medicaid Services (CMS) and how each state performs on its grant application.
- The grant application deadlines are as follows:
 - An optional letter of intent is due by September 30, 2025
 - The application is due by November 5, 2025
 - The CMS administrator is required to approve all applications no later than December 31, 2025.
- The grant application requires the state to submit a detailed rural health transformation plan with items such as:
 - Size of rural population
 - Proportion of rural health facilities
 - Uncompensated care
 - Description of initiatives the state plans to implement with the funding such as:
 - Rural provider strategic partnerships
 - Talent recruitment
 - Expanding rural health networks
 - Value based care
 - Remote care



Federal Budget Reconciliation – Medicaid Timeline

LFC Analysis of CBO Estimates for Impact of 2025 Budget Reconciliation Bill (millions)

	Actual - 2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025-2034
Medicaid - Federal	\$7,416.0	\$7,872.0	\$8,340.0	\$8,856.0	\$9,204.0	\$9,636.0	\$10,044.0	\$10,452.0	\$10,920.0	\$11,376.0	\$11,832.0	\$105,948.0
Baseline Growth Rate		6%	6%	6%	4%	5%	4%	4%	4%	4%	4%	
Medicaid Changes From Baseline		(\$10.0)	(\$261.8)	(\$651.0)	(\$877.4)	(\$1,276.4)	(\$1,524.9)	(\$1,754.6)	(\$1,878.2)	(\$2,042.1)	(\$2,234.9)	(\$12,511.3)
Percent Change from Baseline		0%	-3%	-7%	-10%	-13%	-15%	-17%	-17%	-18%	-19%	-12%
Rural Healthcare Initiative*			\$100.0	\$100.0	\$100.0	\$100.0	\$100.0					\$500
New Baseline		\$7,862.0	\$8,178.2	\$8,305.0	\$8,426.6	\$8,459.6	\$8,619.1	\$8,697.4	\$9,041.8	\$9,333.9	\$9,597.1	\$86,520.7
Percent Change YOY New Baseline			4%	2%	1%	0%	2%	1%	4%	3%	3%	

Source: CBO, FFIS *LFC timing and yearly outlay estimates based on FFIS



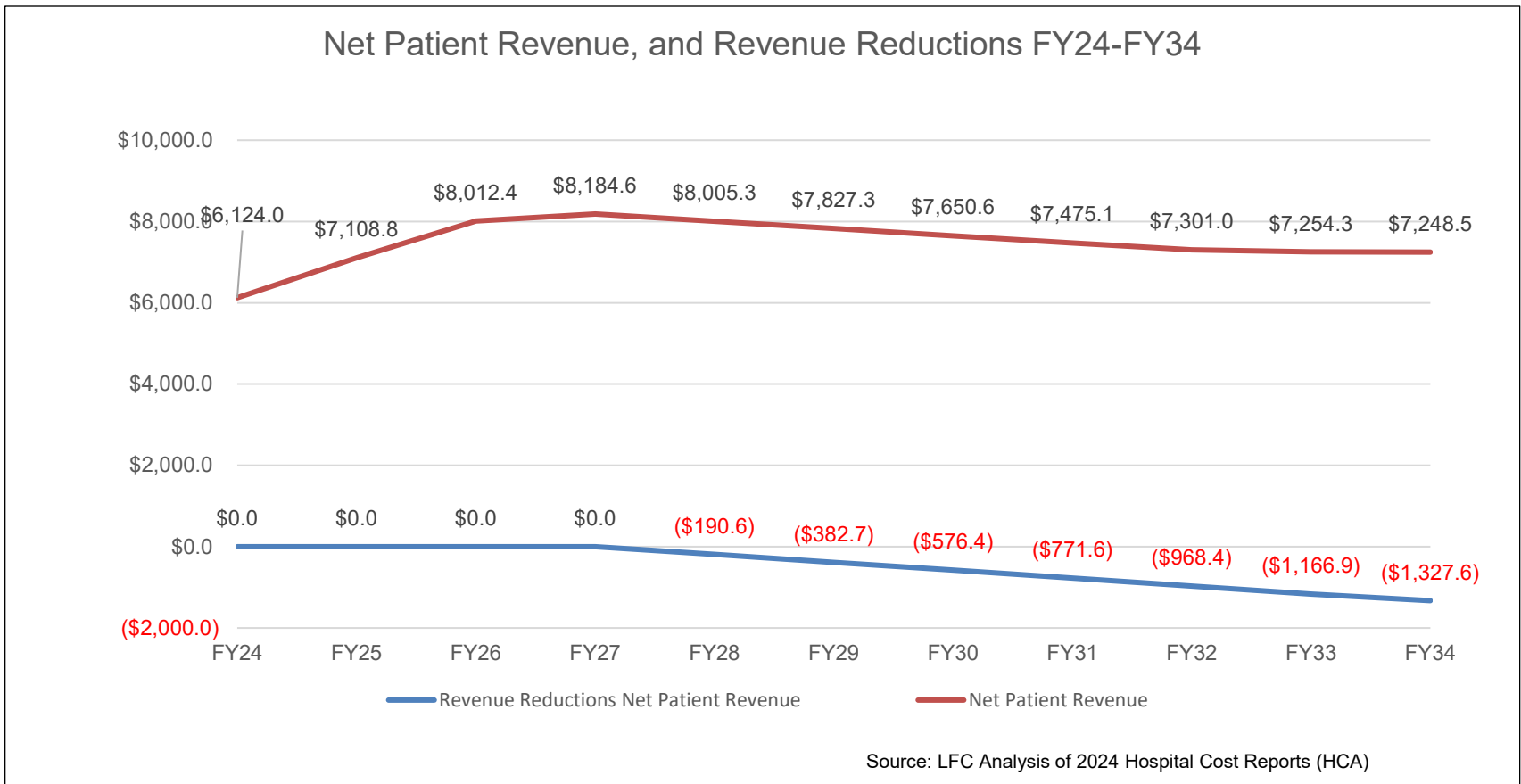
Federal Budget Reconciliation – Medicaid Timeline

Timeline -- Federal Reconciliation Medicaid Changes

State Fiscal Year	SFY25	SFY26	SFY27	SFY28	SFY29	SFY30	SFY31	SFY32	SFY33	SFY34
Federal Fiscal Year	FFY25	FFY26	FFY27	FFY28	FFY29	FFY30	FFY31	FFY32	FFY33	FFY34
Calendar Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Month	J F M A M J	J A S O N D J F M A M J	J A S O N D J F M A M J	J A S O N D J F M A M J	J A S O N D J F M A M J	J A S O N D J F M A M J	J A S O N D J F M A M J	J A S O N D J F M A M J	J A S O N D J F M A M J	J A S O N D J F M A M J
State Directed Payments to Hospitals and Nursing Facilities				First 10 Percent Reduction Begins January 2028 Subsequent 10 Percent Reduction Each January Thereafter Until Payments Reach 100 Percent of Medicare						
Provider Taxes				First 0.5 Percent Reduction Begins in Federal Fiscal Year 2028 With Subsequent Reductions Every Year Until the Rate Reaches 3.5 Percent						
Work Requirements				Start December 31, 2026						
Work Requirement Extension					Work Requirement Extension Upon Good Faith Effort Dec 31, 2028					
Cost Sharing (copays)					Starts October 1, 2028					
6 Month Eligibility Redeterminations				Starts for Renewals Scheduled on or After December 31, 2026						
Retroactive Eligibility Limited to 1 or 2 months				Begins January 1, 2027						



Notable Reconciliation Changes to Medicaid: State Directed Payments and Provider Taxes



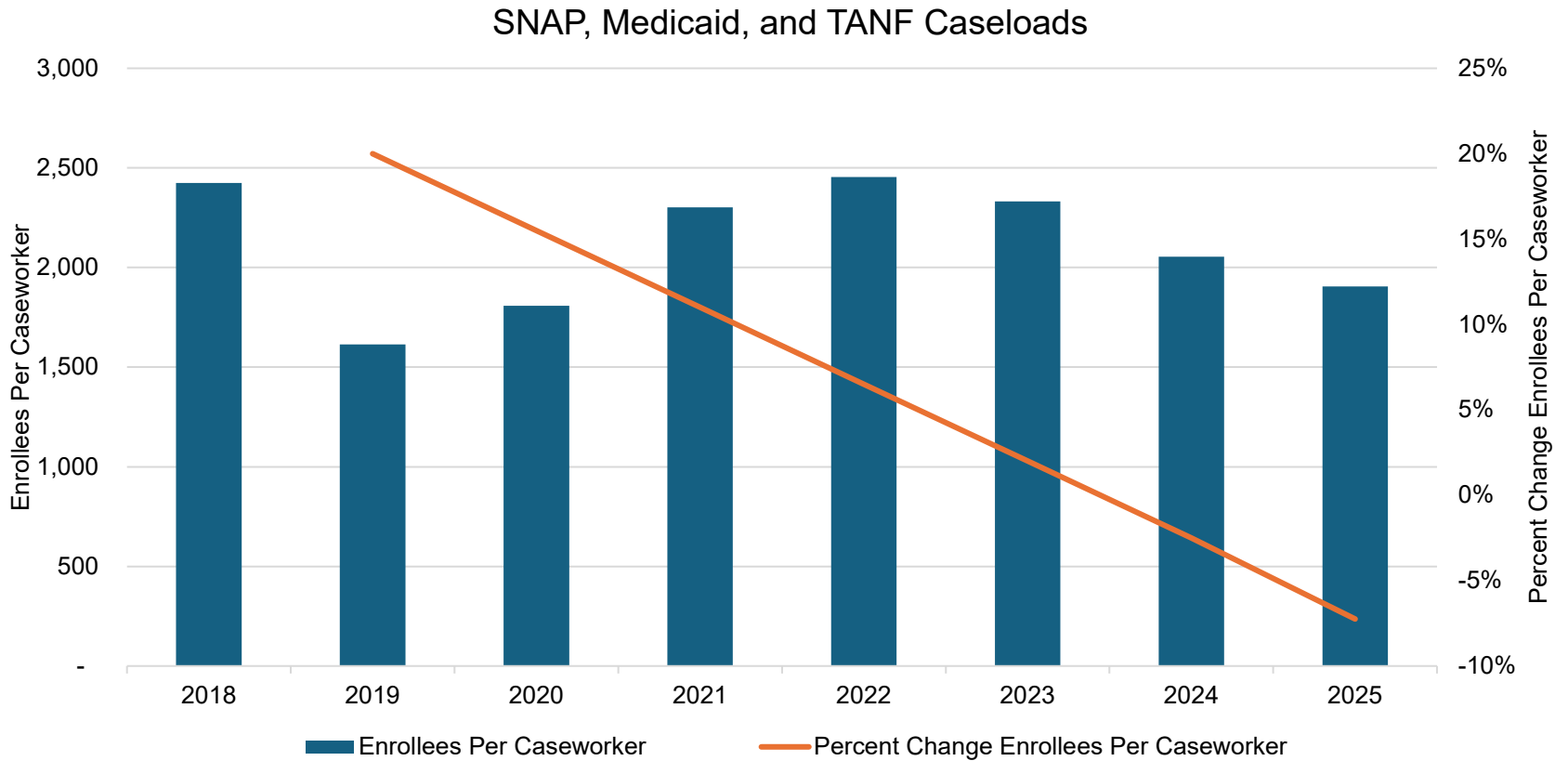
Federal Budget Reconciliation – SNAP Timeline

Timeline -- Federal Reconciliation SNAP Changes

State Fiscal Year	SFY 25	SFY26	SFY27	SFY28	SFY29	SFY30	SFY31	SFY32	SFY33	SFY34		
Federal Fiscal Year	FFY25	FFY26	FFY27	FFY28	FFY29	FFY30	FFY31	FFY32	FFY33	FFY34		
Calendar Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034		
Month	JFMAMJJASONJFMAMJJASONJFMAMJJASONJFMAMJJASONJFMAMJJASONJFMAMJJASONJFMAMJJASONJFMAMJJASON											
State Match Requirement				Begins in October 2027								
State Match Requirement Delayed Implementation					If Payment Error Rate is Too High Begins in FFY29							
State Match Requirement Delayed Implementation						If Payment Error Rate Continues to Be High Begins FFY30						
Administrative Match Reduction			Federal Share for Administrative Expenses Reduces from 50 Percent to 25 Percent									
Certain Non-Citezens Lose Eligibility	Begins Upon Enactment but Individuals Roll Off as Redeterminations are Made											



SNAP, Medicaid, and TANF Caseloads

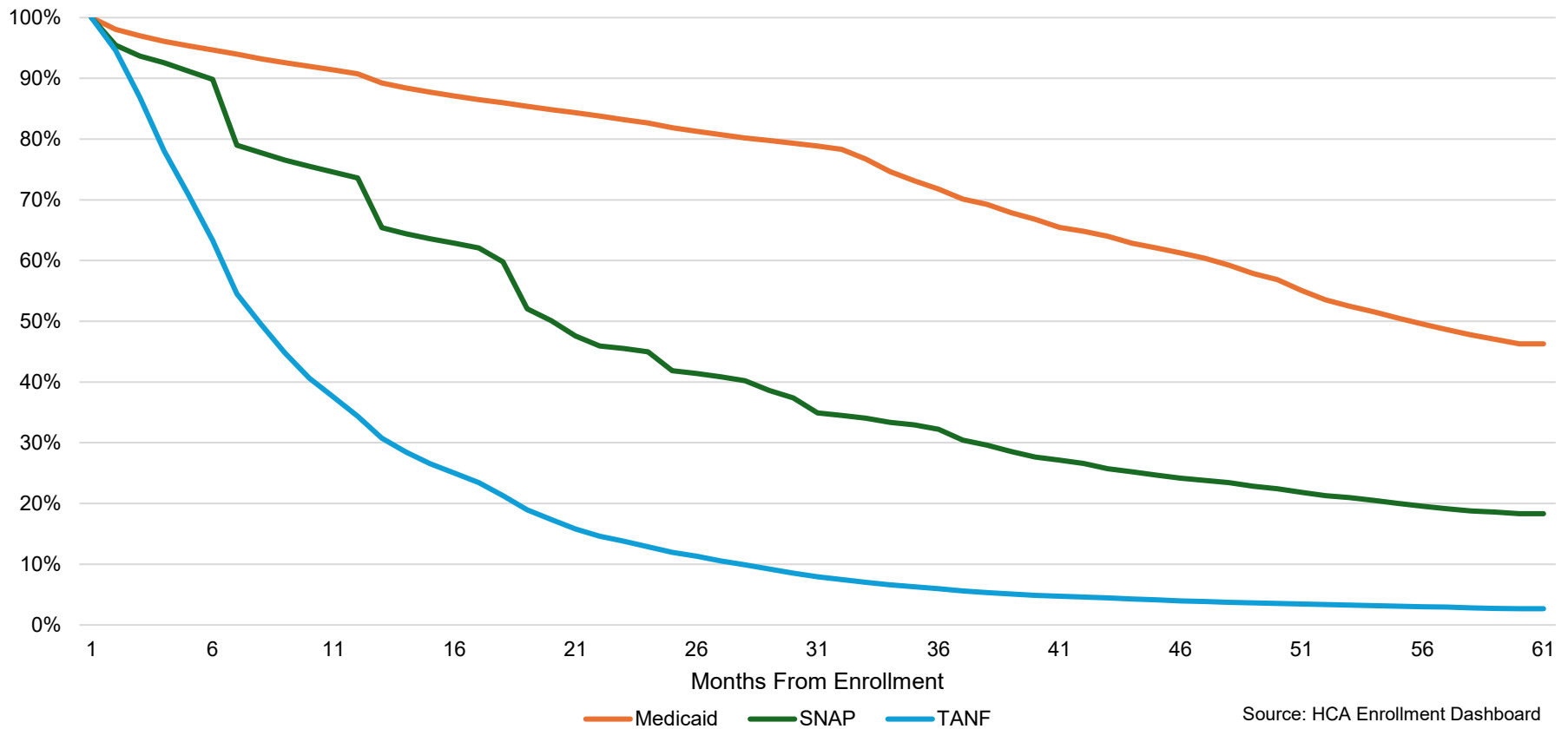


Source: LFC Analysis of SPO Tool Report and Enrollment Dashboard



SNAP, Medicaid, and TANF Enrollment Continuation

Probability of Eligibility Continuation by Program



Source: HCA Enrollment Dashboard



SNAP Changes Effective Upon Enactment of HR1

Eligibility

- SNAP eligibility for non-citizens
 - Narrows eligibility so that refugees, asylees, survivors of trafficking, and certain parolees lose eligibility.
- Expanded work requirements
 - Raises the upper age for who is subject to work requirements from 54 to 64.
 - Changes the dependency work requirement exemption from under age 18 to under age 14
 - Limits geographic waivers to only those states with high unemployment rates

Benefits

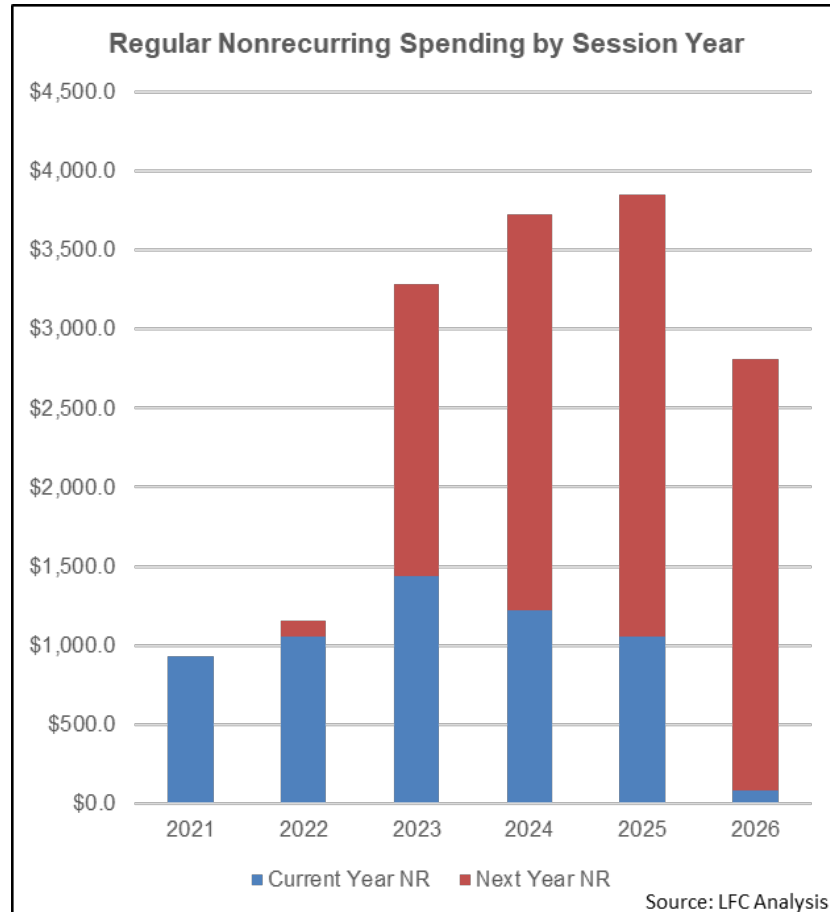
- Restrictions on Income Deductions
 - Internet expenses can no longer be included in the excess shelter deduction for SNAP. The US Department of Agriculture's website says that further guidance is forthcoming.
 - Heating and cooling standard utility allowances will no longer automatically be available to households without an elderly or disabled household member simply because they qualify for Low-Income Home Energy Assistance payments. However, some of these households may still qualify for some deductions under other authorities.

SNAP Education Program

- Funding for the SNAP-Ed program will end on September 30th.



Nonrecurring Spending



FY27-FY30 General Fund Appropriation Outlook, Risks & Potential Liabilities

(in millions)

	Operating Budget FY25	Operating Budget FY26	Outlook FY27	Outlook FY28	Outlook FY29
August 2025 Consensus	\$ 13,700.3	\$ 13,706.0	\$ 14,109.9	\$ 14,617.3	\$ 15,169.8
Includes Tax and Revenue Changes from Federal Reconciliation					
Total Recurring Revenue	\$ 13,700.3	\$ 13,706.0	\$ 14,109.9	\$ 14,617.3	\$ 15,169.8
Year-to-Year Percent Change	N/A	0.0%	2.9%	3.6%	3.8%
Subtotal - Recurring Appropriations	\$ 10,224.6	\$ 10,835.3	\$ 11,485.4	\$ 12,174.5	\$ 12,905.0
Year-to-Year Percent Change, pre-adjustment		6.0%	6.0%	6.0%	6.0%
<u>Adjustment Scenario</u>					
- Move Successful GRO to Base Budget			\$ -	\$ 78.0	\$ 156.4
- Move Successful Public Education Reform Fund to Base Budget			\$ -	\$ -	\$ 20.6
- Replace HCAF with GF for Medicaid			\$ 30.0	\$ 32.1	\$ 34.3
- Replace HCAF with GF For State Health Benefits			\$ 36.2	\$ 38.7	\$ 41.4
- Move Public Education Health Benefits to 80% Employer			\$ 60.0	\$ 64.2	\$ 68.7
- State Liability Premiums Supplemental			\$ 14.0	\$ 14.0	\$ 14.0
- Replace ACF Transfers for Wildfire Loan Funding			\$ 50.0	\$ 50.0	\$ 50.0
Federal Reconciliation & Other Budget Cuts					
- Federal SNAP Admin to 75% State Cost			\$ 14.0	\$ 14.0	\$ 14.0
- Federal SNAP - New State Cost Share for Benefits			\$ -	\$ -	\$ 200.0
- Replace Medicaid Provider Taxes - President Directive to Lower Rates to Medicare from 150% of M			\$ 462.0	\$ 494.3	\$ 528.9
- Replace Medicaid Hospital Provider Taxes/Directed Payments w/Fed Funds			\$ -	\$ -	\$ -
- Admin Costs for Medicaid Re-enrollment			\$ 5.0	\$ 5.0	\$ 5.0
- Medicaid Costs for Work Requirements			\$ 25.0	\$ 25.0	\$ 25.0
- Medicaid Savings from Eligibility/Work Requirements			\$ -	\$ (75.0)	\$ (85.0)
- Replace UNM Hospital Directed Payments w/State Supplemental Payment			\$ -	\$ 200.0	\$ 200.0
- Implement 100% State funded SNAP for newly ineligible clients			\$ 109.0	\$ 114.0	\$ 120.0
- Replace federal funds for public TV			\$ 5.0	\$ 5.0	\$ 5.0
Subtotal - Additional Recurring Adjustments	\$ -	\$ -	\$ 810.2	\$ 1,059.4	\$ 1,398.4
Total Recurring Appropriations	\$ 10,224.6	\$ 10,835.3	\$ 12,295.6	\$ 13,233.9	\$ 14,303.4
Year-to-Year Percent Change		6.0%	13.5%	7.6%	8.1%
-					
- Capital Outlay	\$ 931.6	\$ 798.5	\$ 798.5	\$ 798.5	\$ 798.5
- Higher Ed Capital Fund			\$ 300.0	\$ 300.0	\$ 200.0
- Non Recurring Specials, Supp, & Fund Transfers	\$ 1,468.0	\$ 1,951.1	\$ 1,951.1	\$ 1,951.1	\$ 1,951.1
Subtotal - NR Appropriation from Recurring Reve	\$ 2,399.6	\$ 2,749.6	\$ 3,049.6	\$ 3,049.6	\$ 2,949.6
Surplus/(Deficit)	\$ 1,076.1	\$ 121.1	\$ (1,235.3)	\$ (1,666.2)	\$ (2,083.2)

* totals may not foot due to rounding



Special Session

- Governor press release announced a special session agenda “**could**” include:
- Additional funding to the Rural Health Care Delivery Fund and change in statute to allow for stabilization grants in addition to expansion of services.
- Additional health exchange premium subsidies. Federal/state funding premium assistance up to 400% of FPL. Proposal would subsidize higher income individuals above 400% FPL.
- Food assistance. Potential range of options with possible costs as high as
- Public broadcasting.
- Healthcare Authority admin and IT costs. Mix of nonrecurring and recurring
- Not in press release-RLD supplemental.
- Total potential cost



Other context

- NM Supreme Court ruled legislature is the appropriating body even for federal grants that have discretion, like the ARPA state relief grant. Could create fund to allow for federal rural health transformation program grants to be appropriated by the Legislature for rural hospitals, health clinics, provider recruitment/retention strategies.
- The Legislature appropriated a total of \$176 million for rural health delivery grants over the past three years. Of that amount, \$63 million is expended, \$34 million is encumbered, and about \$79 million remains unspent.
- No federal regulations out yet on things like work requirements, but at the very least need to start planning.
- Medicaid enrollment from its peak during COVID is down 200 thousand and SNAP enrollment already down almost 100 thousand.
- Income Support at HCA – cases per worker 2018 was 2,424; last month they were 1,905 per worker.
- No funding for additional disasters and limited funding in operating reserve and more supplemental funding will likely be requested in January.



Pending Federal Shutdown and ACA Subsidies

- A federal shutdown is possible on October 1st if Congress cannot reach a compromise on a continuing resolution
 - The severity of a shutdown depends on the duration, a few days will have minimal impacts while several months could be very disruptive
 - The impact of a shutdown varies widely by program
 - Most discretionary programs would be affected
 - Mandatory programs may or may not be impacted depending on whether their funding relies on the appropriations process, examples include:
 - Children's Health Insurance Program is outside of the appropriations process
 - Temporary Assistance for Needy Families requires an active authorization and could be impacted in an extended shutdown
- The Affordable Care Act provided health insurance subsidies.
 - During the pandemic, the subsidies were enhanced, and those enhancements are expected to expire at the end of the year.
 - The state backfilled the enhanced subsidies for people below 400 percent of the federal poverty level with HCAF funding.





For More Information

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

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