

GRO Appropriations Update

Summary

In 2024, House Bill 196 established the government results and opportunity (GRO) expendable trust and program fund to pilot new programs and initiatives and evaluate their outcomes before funding these initiatives in an agency’s recurring operating budget. In the same year, the Legislature appropriated \$216 million over three years from the GRO program fund for 16 pilot projects at 10 different state agencies and higher education institutions in the 2024 General Appropriation Act (GAA). Understanding the impact of these initiatives is crucial to ensure the programs produce the expected results for New Mexicans before including funding in an agency’s recurring budget.

In 2024, the Legislature also appropriated approximately \$100 million over three years from the GRO Program Fund for 312 statewide and local legislatively-directed initiatives. These sorts of legislatively-directed appropriations were previously funded in a stand-alone bill colloquially known as the “junior bill”.

This brief provides the status of both the expenditures and outcomes, to the extent that data was available, on the three-year state agency pilot projects and legislatively-directed “junior” appropriations from the 2024 GAA, as well as the 33 new pilot projects included in the 2025 GAA. LFC staff also developed an interactive [GRO dashboard](#), where this information can be found, which will be updated quarterly with the status of all GRO appropriations.

Overall, the trends identified in this report suggest the Legislature may wish to formalize and maintain mechanisms to ensure accountability and results-based learning for future rounds of nonrecurring appropriations through the GRO.

Key Takeaways

- **Evaluation Pilots:** (2024 and 2025 GAAs):
 - Of the \$72 million appropriated in FY25 for the 16 pilot projects under the 2024 GAA, about \$13.8 million (19 percent) went unspent. Agencies have expended \$22.8 million (32 percent) and encumbered \$22.4 million (31 percent) of the FY26 balance.
 - For the 33 new pilot projects in the 2025 GAA, agencies have expended or encumbered \$20.3 million (12 percent) of the \$165.2 million available.
- **Performance Tracking for Evaluation Pilots:** Most agencies implementing the evaluation pilots have developed logic models and performance measures but have not developed plans design to carry out rigorous evaluations.
- **Local “Junior” GRO Appropriations:** Of the \$31.9 million appropriated for 162 local projects, about 85 percent (\$27.1 million) has

AGENCY: Multiple

DATE: October 16, 2025

PURPOSE OF HEARING:
Nonrecurring Appropriations
Quarterly Status Report

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EXPECTED OUTCOME:
Informational



GRO Trust and Program Fund: Sources and Annual Transfers

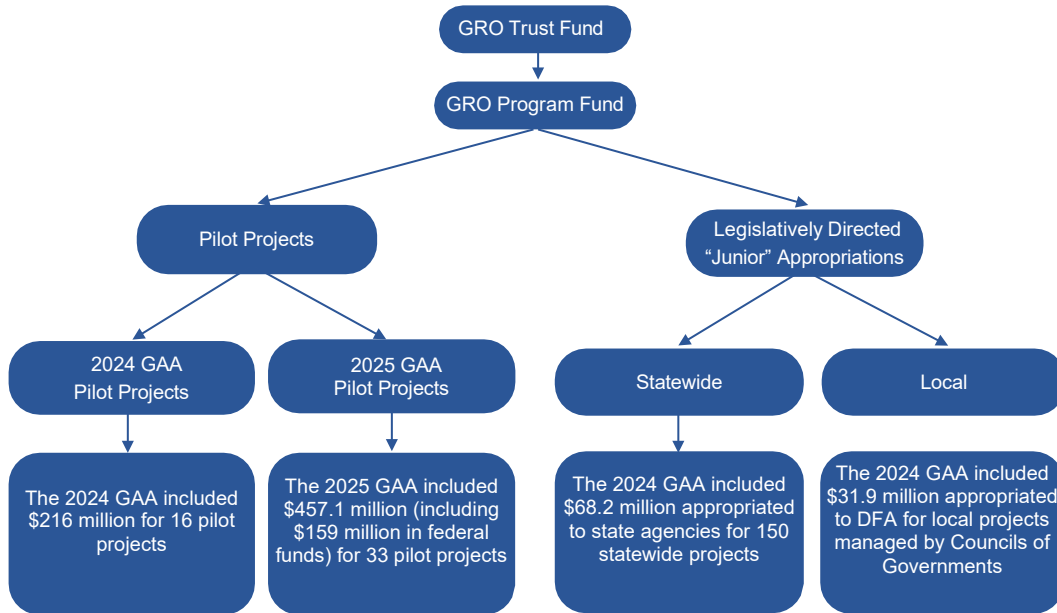
The GRO Expendable Trust Fund received an initial fund transfer of \$512.2 million in 2024, followed by an additional \$265.3 million in 2025. The GRO Expendable Trust also earns income from investment of the fund.

The GRO Program Fund annually receives 25 percent of the balance of the trust fund, or \$100 million, whichever is greater, in addition to any fund transfers made by the Legislature. In the 2024 GAA, the GRO Program Fund received a general fund transfer of \$325.8 million, followed by \$139.7 million in the 2025 GAA.

been encumbered or spent, including \$13.7 million expended at the midpoint of the project window.

- Tracking Outcomes of Legislative-Directed Appropriations:** Many of the legislatively-directed GRO-funded appropriations do not have comparable evaluation mechanisms at this stage. In the case of local appropriations, several COGs have begun developing tracking systems, but reporting standards vary, and both agencies and COGs have asked for clear, standardized metrics and templates to improve consistency in future funding cycles.
- Statewide “Junior” GRO Appropriations (GRO-D):** Across 150 projects and 34 agencies, \$68.2 million has been distributed, with 64 percent (\$43.5 million) spent or encumbered. The Department of Finance and Administration, Public Education Department, and CYFD show the highest utilization. Notably, spending of higher-education appropriations, which account for roughly 18 percent of total GRO-D funding, are not tracked in the state’s SHARE accounting system. This report does not draw conclusions about the performance of these appropriations.

Figure 1. Government Results and Opportunity (GRO) Funds and Appropriations



Evaluation Pilot Projects

Given that the intention of GRO funding is to pilot new programs and initiatives and evaluate their outcomes before incorporating them into an agency’s recurring operating budget, agencies should evaluate the impact of these appropriations.

To this end, LFC developed and in partnership with DFA provided agencies with training about five key criteria to assess agencies’ progress in evaluating outcomes of GRO pilot projects:

1. A clearly defined logic model;
2. Clearly defined output and outcome performance measures;
3. An independent evaluation plan to examine causal impacts;
4. A rigorous evaluation plan to examine causal impact; and
5. A plan to communicate the results of the evaluation.

LFC staff will summarize and rate performance on these metrics based on the information provided by the agency and publish this information on the [GRO dashboard](#).

2024 Pilot Projects

The Legislature appropriated \$216 million in the 2024 GAA for 16 pilot projects, with one-third of the total amount appropriated for each project available each of the three years. Unspent balances remaining at the end of each fiscal year revert to the GRO Expendable Trust Fund. Of the \$72 million appropriated for FY25, a total of \$13.8 million, or 19 percent (almost 1 in 5 dollars), went unspent. The majority of this expected reversion stems from four appropriations: two to the Children, Youth, and Families Department (CYFD) of which CYFD expended ten percent or less, the appropriation to the Early Childhood Education and Care Department (ECECD) of which more than half of the funding went unspent, and the Aging and Long Term Services Department (ALTSD) which expended 26 percent.

Of the \$72 million appropriated for FY26, agencies have expended \$22.8 million, or 32 percent, and encumbered another \$22.4 million, or 31 percent, as of September 2025. These expenditure amounts do not include the two appropriations to New Mexico Tech and Santa Fe Community College as higher education institutions’ expenditures are not tracked in the state’s accounting system, and this data is still being collected. Notably, ALTSD and ECECD, both of which reverted large portions of FY25 funding, have made significant progress in expending and encumbering the funding available in FY26.

Evaluation and Outcomes

LFC staff requested status updates from all state agencies who received GRO pilot projects. While LFC staff did not receive a status update for each of the 16 pilot projects from the 2024 GAA, for those for which information was provided, most agencies appear to have clearly defined logic models, as well as output and outcome performance measures. However, few agencies provided information

Table 1. 2024 GAA GRO Pilot Projects
(in thousands)

Dept.	Appropriation	FY 25 Amount	% of FY25 Funding Unspent
ECECD	Wage and Career Ladders	\$5,000	57%
ALTSD	New Medicare	\$3,125	74%
HCA	Behavioral Health Services	\$5,000	5%
WSD	Career Exploration Pilot	\$2,000	0%
WSD	Pre-Apprenticeship Programs	\$600	0%
OFRA	Study Outcomes for Youth in Custody	\$2,062.5	7%
CYFD	Master-Level Social Work Licensure	\$562.5	1%
CYFD	Multi-level Response for CPS	\$1,400	99%
CYFD	Prevention and Intervention Services	\$3,000	90%
CYFD	Foster Care Support	\$1,250	5%
PED	Educator Clinical Practice	\$20,000	0%
PED	Educator Stipends	\$5,000	23%
HED	Workforce Training	\$20,000	0%
HED	Integrated Basic Education	\$5,000	6%
NMTech	Geothermal Resource Development	\$500	0%
SFCC	Suicide Prevention Training	\$500	0%
Total		\$72,000	19%

Source: 2024 GAA

documenting rigorous evaluation plans, including the use of comparison or control groups. The status for each project can be found in the [GRO dashboard](#).

2025 Pilot Projects

In the 2025 GAA, the Legislature appropriated \$447.1 million, including \$298.1 million from the GRO Program Fund and \$159 million in federal funds, for 33 new pilot projects. These projects received multi-year appropriations of varying lengths and reversion dates. As of September 2025, two months after agencies received FY26 funding, \$20.3 million, or 12 percent, of the \$165.2 million available to agencies in FY26 has been expended and encumbered. Detail about these multiyear projects is located on the [GRO dashboard](#).

Evaluation and Outcomes

As part of the GRO initiative, LFC and DFA provided state agencies with training on criteria to assess agencies' progress in evaluating outcomes. As of September 2025, LFC staff are awaiting information from agencies about evaluation plans for most projects established in the 2025 GAA, including whether agencies have established logic models, performance measures, and other planned evaluation details, which will be added to the GRO dashboard.

The expectations for evaluating GRO appropriations apply criteria similar to those used for pilot projects funded through the Public Education Reform Fund (PERF) and administered by the Public Education Department (PED) in 2025. Unlike many GRO appropriations—where evaluation has proceeded inconsistently and often without standardized reporting requirements—PED has made greater progress in building structured evaluation and monitoring plans for PERF-funded initiatives. Laws 2025, Chapter 72 (Senate Bill 201) established the PERF as a targeted multiyear investment fund for education initiatives, and statute requires that PERF-funded programs be evaluated for measurable impacts on student or teacher outcomes, with an emphasis on causal methods when feasible. PED is responsible for developing these evaluation plans and has engaged WestEd, a national nonpartisan research and development agency, to complete the work. Each plan must define program goals and expected outcomes, identify responsible actors and implementation activities, and describe the evaluation methodology to be used. LESC, LFC, and DFA serve jointly as an advisory body for oversight of these evaluations.

Legislatively-directed “Junior” Appropriations

The 2024 creation of the GRO fund marked a shift in approach of previous one-year special, legislatively-directed “junior” appropriations. Prior to 2024, legislators often directed short-term, nonrecurring funds to individual agencies or local governments through a separate bill, not included in the General Appropriations Act and often called a “junior” appropriation bill. These appropriations often experienced high reversion rates and inconsistent oversight.

In 2024 legislatively-directed state agency and higher-education appropriations (GRO-D) and local legislatively-directed appropriations were included within the General Appropriation Act. In 2024, these legislatively-directed special appropriations provided two-year special appropriations, giving agencies and local entities more time to plan and implement. In addition, local projects were routed through the state’s regional Councils of Governments (COGs) instead of being appropriated directly to local entities, adding a layer of administrative oversight and technical support. Collectively, multiyear appropriations through the COGs aimed to reduce reversions, improve coordination, and embed stronger accountability into New Mexico’s nonrecurring funding process.

Legislatively-directed “Junior” Appropriations: Statewide (GRO-D)

In 2024, GRO appropriations to state agencies and higher education institutions totaled \$68.2 million across 150 projects, including investments in human services, health care, education, cultural affairs, justice, and economic development initiatives. For example, the Children, Youth, and Families Department received \$3.7 million across seven projects, including support for protective services personnel and domestic violence sheltering. Similarly, the Department of Health received \$4 million across twelve projects, such as mental health training programs and the FDA drug importation application process. Higher education institutions, including Eastern New Mexico University, Central New Mexico Community College, and New Mexico Tech, also received targeted appropriations for literacy, research, and student support programs.

As of October 2025, agencies have made steady progress implementing the \$68.2 million in statewide GRO-D appropriations across 150 projects. About \$43.5 million (63.8 percent) has been spent or encumbered, with most remaining funds in active procurement or contracting. The Department of Finance and Administration received the largest share—\$24.1 million (over one-third)—and has utilized more than 90 percent for statewide grants management and infrastructure coordination. The Public Education Department has spent or encumbered about two-thirds of its \$7 million in school improvement and professional development projects. Health and social service agencies, including DOH and CYFD, report utilization between 60 and 70 percent, while several smaller agencies such as the Crime Victims Reparations Commission (CVRC) and Higher Education Department (HED) report full use of funds. Other agencies—including Cultural Affairs, Indian Affairs, and Tourism departments, and the Judicial Branch—show moderate to strong progress, with 64 to 100 percent of their allocations either spent or encumbered. Detailed spending information about all legislatively-directed appropriations can be found on the [GRO dashboard](#).

Agencies were not required by statute to track performance of the legislatively-directed statewide appropriations (GRO-D), but roughly 12 percent have documented performance tracking in place. The distribution of spending patterns suggests that agencies administering direct services or grants are advancing more rapidly than those with capital or complex research-based projects. Early spending indicates strong administrative capacity and project readiness among certain agencies, especially DFA, PED, and CYFD, while slower-moving projects highlight procurement and interagency coordination challenges typical of newly appropriated programs.

Table 2: Top Five Recipients of “Junior” Appropriations to State Agencies and HEIs (GRO-D)

Agency	Funding (in millions)	# Projects	Example Uses
DFA	\$24.1	4	Statewide grants management, interagency technology, infrastructure coordination
PED	\$7.0	15	Literacy and school-improvement pilots, professional development
NMSU	\$6.66	31	Research and extension initiatives, student-support programs
UNM	\$6.4	24	Health and education initiatives, workforce training
DOH	\$4.0	6	Mental-health training, FDA drug-importation process

Source: GAA 2024

Overall, GRO appropriations to state agencies and higher education institutions appear to be achieving their intent of enabling flexible, performance-focused state investments. However, consistent tracking of encumbrance and expenditure rates will be critical to ensure that the remaining third of appropriations transition from planning to implementation within the current fiscal year.

Table 4: Local GRO Appropriations to DFA, by COG

(in thousands)

COG	Amount Appropriated
Mid-Region	\$11,680
Southeastern	\$ 5,920
North Central	\$ 5,760
Northwest	\$3,840.00
South Central	\$2,760.00
Southwest	\$1,280.00
Eastern Plains	\$ 640.00

Note: Appropriations are made to DFA and distributed by COGs.

Source: HB2

Legislatively-directed “Junior” Appropriations: Local

The 2024 GRO provided \$31.9 million in two-year funding for 162 local initiatives, replacing the “junior” appropriation process. The Department of Finance and Administration (DFA) administers these appropriations by contracting with the state’s seven Councils of Governments (COGs), which then distribute funds to local entities.

Projects span a wide range of local needs—from law enforcement, senior services, and food security to housing, water systems, and youth programs. Funding amounts vary significantly by COG region, with the Mid-Region Council of Governments overseeing the largest share at nearly \$11.7 million across 63 projects, while the Southwest New Mexico Council of Governments managed the least at just under \$1.3 million across seven projects. This new model is intended to strengthen oversight and reduce risks of reversions by ensuring COGs track project status, encumbrances, and outcomes.

In addition to changing the vehicle for these legislatively-directed appropriations (from a stand-alone junior bill to the GAA), there are several notable differences between the prior junior appropriations process and how legislatively-directed appropriations were handled previously. First, the money for local projects outside of state agencies was allocated not to individual local governments but instead to local COGs through DFA. New Mexico’s COGs are regional planning agencies that work with local governments and organizations. These relationships with local governments and nonprofits in their communities situate COGs well to distribute local appropriations. Second, the new GRO fund appropriations can be spent over two years. These changes aim to increase the amount local legislatively-directed appropriations that are fully expended.

Status of Expenditures

Approximately 85 percent (\$27.1 million of \$31.9 million) of local GRO appropriations to COGs as of September 2025 were encumbered or expended, including about \$13.7 million already spent, though the pace of actual expenditure varies. The Mid Region COG continues to manage the largest portfolio, and has encumbered about 79 percent of available funds, though only one-fifth has been fully expended—suggesting a large share remains in procurement or sub-recipient

contracts. The Southeastern NM Economic Development District (SENMEDD) shows particularly high use of funds. Covering Eddy, Lea, Chaves, Lincoln, and Otero counties, SENMEDD has fully encumbered its \$5.9 million allocation and already expended more than half.

As of September 2025 (just past the midpoint of the 2024–2026 two-year window): North Central COG remains the slowest to advance projects— with 34 percent encumbered and about 33 percent spent of its \$5.8 million portfolio, leaving roughly \$3.8 million not yet encumbered. South Central shows modest progress (about 53 percent encumbered; 27 percent spent). Northwest, Southwest, and Eastern Plains report full or nearly full encumbrance, with expenditure completion roughly 56 percent to 62 percent. Eastern Plains’ smaller \$640 thousand program is mostly spent with a small remaining balance. Detailed spending information about all legislatively-directed appropriations can be found on the [GRO dashboard](#).

Evaluation and Outcomes

LFC staff requested COGs share any documented plans for tracking performance and outcomes associated with these appropriations. As of September 2025, of 162 local projects, 66 projects—about 41 percent—report having some form of performance tracking or outcome documentation. Although COGs were not required to track project outcomes or outputs, several regions voluntarily incorporated performance notes or qualitative measures to document progress. This represents a meaningful step forward in accountability and data collection compared with prior cycles. Where performance information is present, most COGs report narrative or output-based measures—such as numbers of clients served, facilities improved, or program activities completed—rather than quantitative indicators of outcomes or impacts. This pattern suggests an encouraging but uneven shift toward systematic reporting.

While implementation of the new GRO framework has improved oversight and reduced large-scale reversions, several recurring challenges continue to affect the pace and consistency of project delivery across both state and local levels. Interviews with agencies and Councils of Governments indicate that administrative capacity, reimbursement timelines, and varying interpretations of procurement and reporting requirements all influence performance.

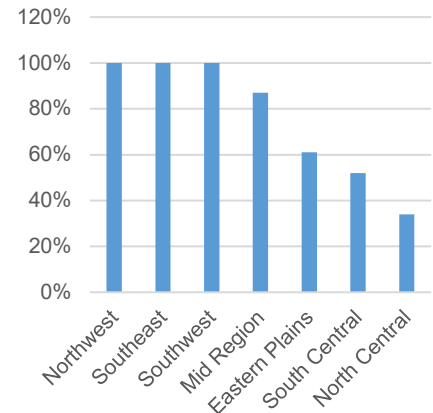
The issues outlined in the side-bar highlight barriers that, if addressed, could strengthen accountability, improve cash flow, and ensure more consistent outcomes, should the Legislature continue making legislatively-directed appropriations through the GRO.

Early results from the legislatively-directed “junior” appropriations demonstrate the program’s potential to deliver local value, though several adjustments could strengthen the process if the Legislature pursues this approach in the future:

- **Streamline contracting and reimbursement:** Consolidating appropriations into single agreements and standardizing DFA reimbursement timelines would reduce duplication and ease cash-flow challenges.
- **Strengthen coordination and preparation:** Incorporating procurement training into new-legislator orientation and using regional forums to vet local priorities could improve coordination with local governments and organizations, while earlier guidance, two-year funding windows, and clear guardrails for administrative funds may support implementation.

Local Legislatively-directed “Junior” Appropriations

Percent Expended or Encumbered, by COG, Sept 2025



Source: NM Councils of Government

Pain Points and Lessons-Learned

- **Slow Drawdowns:** Local government projects often delayed by turnover and the pace of DFA contracting.
- **Fragmented Reporting:** Each COG devised its own tracking forms in the absence of uniform guidance.
- **Compliance with the Procurement Code:** Confusion arose when appropriations were assumed to be direct grants to preferred contractors, while the COGs point out that as local public bodies subject to the New Mexico Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978], they are statutorily required to follow transparent and competitive bidding processes.
- **Cash-Flow Constraints among Recipients:** According to COGs, small nonprofits and local governments struggle to front costs pending reimbursement.

Source: NM Councils of Government

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- **Support grantee capacity:** Maintaining some level of COG administrative funding and basic training for smaller grantees would improve consistency and reporting quality.
 - **Standardize administrative cost rates:** Aligning administrative costs to a fixed cap (e.g., 10 percent of appropriations) would promote equity and predictability.
 - **Require standardized evaluation and outcome reporting:** Clear, uniform reporting and performance measures would help assess effectiveness and comparability across COGs.