

LFC Hearing Brief



With the close of fiscal year 2025 (FY25) in sight, this quarterly report provides an update on nonrecurring appropriations from the last year, focusing on the status of Section 5 special appropriations from the 2024 General Appropriation Act (GAA) and the status of agency Government Results and Opportunity Fund (GRO) pilot project expenditures from the 2024 GAA (Section 9). Any funding that remains unspent at the close of the fiscal year will revert, either to the general fund or specified fund, if an appropriation was not reauthorized or appropriated for multiple years. Calculations of the status of Section 5 appropriations do not include appropriations to higher education institutions, as these are not tracked in the state's accounting system.

With a month left in FY25, agencies have spent 78 percent of Section 5 special appropriation dollars from the 2024 GAA.

Section 5 “special” appropriations are typically one or two-year nonrecurring appropriations for specific projects or one-time expenses. Of the approximately \$1.2 billion appropriated in Section 5 of the 2024 GAA, \$731.6 million, or 63 percent, has been expended and \$180.5 million, or 15 percent, has been encumbered, meaning a purchase order or contract is in place for a portion of the money, as of June 10, 2025. At the time of the last quarterly report on nonrecurring appropriations presented by LFC staff in December 2024, agencies had expended and encumbered 61 percent of this funding. This indicates agencies have since slowed their spending, only obligating or spending an additional 17 percent in the last six months. This decrease in the rate of spending signals that agencies may revert unspent balances of appropriations that were not reauthorized or appropriated for multiple years. At the close of FY24 last year, agencies reverted a total of \$57.5 million of Section 5 special appropriation dollars to the general fund. Of the 30 agencies that reverted funding, only 5 agencies reverted more than \$1 million: the Department of Environment (\$1.5 million), Taxation and Revenue Department (\$3.5 million), Public Education Department (\$7.0 million), Department of Finance and Administration (\$17.9 million), and the Higher Education Department (\$22.8 million). LFC staff is working with DFA to identify the specific appropriations that reverted and agencies’ reasons for reversions.

While agencies have fully encumbered and expended almost half of the 150 special appropriations from the 2024 GAA, agencies have not expended any funding from 14 appropriations, totaling \$67.9 million. Importantly, 8 of the 14 unexpended appropriations were reauthorized or were appropriated for more than one year, meaning they can be spent beyond the end of FY25. Of note, a \$25 million appropriation to the Department of Information Technology to support implementation of the statewide broadband plan has gone completely unspent and is set to revert at the end of FY25. Though broadband projects are capital in nature and may take longer to implement, the Office of Broadband Access and Expansion’s lack of spending of the \$25 million special is likely due to leadership changes and a focus on bringing in federal funds to the state. Additionally, the Office of the State Engineer (OSE) has yet to expend any of a \$20 million appropriation to support and fund Indian water rights settlements; however, this is

AGENCY: Multiple agencies

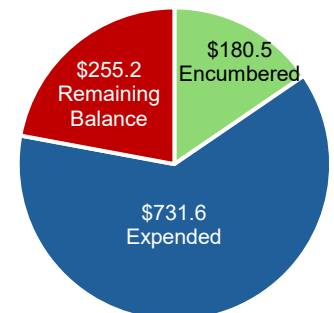
DATE: June 24, 2025

PURPOSE OF HEARING:
Nonrecurring Appropriations
Quarterly Status Report

PREPARED BY: Maggie Klug

EXPECTED OUTCOME:
Informational

**Chart 1. 2024 GAA Special
Appropriation Dollars Status**
(in millions)



Source: SHARE

**Table 1. 2024 GAA Special
Appropriations by
Percentage Expended and
Encumbered**

Percentage of Appropriation Expended & Encumbered	Number of Appropriations
100%	72
75-99%	31
25-74%	28
1-24%	7
0%	14

Source: SHARE

due to stalls at the federal level and the funding is available to OSE through fiscal year 2027.

Table 2. 2024 GAA Special Appropriations with no Encumbrances or Expenditures Ending at the Close of FY25
(in thousands)

Agency	Appropriation Purpose	Source of Funding	Appropriation Amount
Public Defender Department	Rural staffing and discovery technology	GF	\$110.0
Attorney General	Crime gun intelligence center pilot program	OSF	\$1,500.0
Department of Information Technology	Implementation of statewide broadband plan	GF	\$25,000.0
Department of Information Technology	Replace network switches statewide	GF	\$500.0
Homeland Security and Emergency Management Department	Feasibility study for a satellite fire training academy	GF	\$100.0
Public Education Department	Memorial middle school renovations	OSF	\$1,500.0

Source: 2024 GAA, SHARE data

In total, 35 appropriations, or 23 percent, were appropriated for more than one year or were reauthorized. Notably, two \$25 million appropriations to the Department of Finance and Administration (DFA) for the recruitment and retention of firefighters and emergency medical technicians as well as law enforcement, probation, correctional, and detention officers, were reauthorized, allowing DFA to continue its phased recruitment grant approach described in the last quarterly nonrecurring report in December 2024.

Additionally, LFC staff will be reviewing special appropriation spending for alignment with appropriation intent and summarizing findings in subsequent reports. For instance, in 2022, the Legislature appropriated \$20 million to CYFD for start-up costs for behavioral health providers to establish evidence-based services that would be eligible for Medicaid or federal Title IV-E funding. For two years, these funds went unspent and were reauthorized for FY25. This appropriation aimed to address insufficient numbers of behavioral health providers able to serve children with complex needs. CYFD spent less than \$5 million of the \$20 million appropriation for purposes aligned to the appropriation’s intent (start-up costs for behavioral health services), though it is unclear if the contracted services CYFD authorized will be Medicaid or Title IV-E eligible. CYFD has spent over \$2.8 million of the \$20 million behavioral health appropriation on congregate care group homes, with contracts to AMI Kids and YDI. These facilities are not eligible for Medicaid or Title IV-E. The department spent the rest of the appropriation on a variety of department activities and initiatives, including family resource centers and other direct services, that may have value but not in alignment with language of the \$20 million appropriation.

Of the first-year funding for GRO pilot projects in the 2024 GAA, 18 percent remains unobligated with a month left in the fiscal year.

In the 2024 GAA, the Legislature appropriated \$216 million from the newly created Government Results and Opportunity Fund (GRO) for 16 pilot projects at various state agencies to be expended over three years, with one-third of the total appropriation amount available for each project each year. This new funding mechanism is intended for agencies to test out, or “pilot,” new programs and evaluate their effectiveness prior to considering the program for recurring funding.

Table 3. 2024 GAA Government Results and Opportunity Fund Pilot Projects
(in thousands)

Agency	Number of Projects	Total FY25 Funding	Percent of Total Funding Expended & Encumbered
Early Childhood Education & Care Dept.	1	\$5,000.0	90%
Aging & Long Term Services Dept.	1	\$3,125.0	27%
Health Care Authority	1	\$5,000.0	33%
Workforce Solutions Dept.	2	\$2,600.0	99%
Office of Family Representation & Advocacy	1	\$2,062.5	97%
Children, Youth & Families Dept.	4	\$6,212.5	31%
Public Education Dept.	2	\$25,000.0	92%
Higher Education Dept.	2	\$22,000.0	99%
NM Institute of Mining & Technology	1	\$500.0	37%
Santa Fe Community College	1	\$500.0	82%

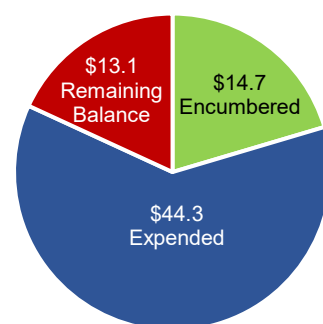
Source: 2024 GAA

Of the \$72 million available in this first year, agencies have encumbered \$14.7 million, or 20 percent, and expended \$44.3 million, or 62 percent. At the end of this fiscal year, any funding that has not been expended will revert to the Government Results and Opportunity Expendable Trust Fund, an expendable trust earning investment revenue that annually feeds the GRO Program Fund from which the Legislature may appropriate funds for pilot projects.

Despite the approaching end of the fiscal year, agencies have obligated less than half of the funding from five out of the 16 pilot projects. These agencies include the Aging and Long Term Services Department, Health Care Authority, Children, Youth and Families Department (CYFD), and the New Mexico Institute of Mining and Technology (NMIMT). It is important to note, however, that data on the expenditures of Santa Fe Community College and NMIMT's projects were last collected in April 2025 as these expenditures are not tracked in the state's accounting system. Thus, NMIMT may have since made further progress in expending its FY25 funding. Two projects, both at CYFD, have seen minimal to no spending: CYFD has only encumbered 4 percent of the funding for the pilot to expand implementation of multilevel response statewide in the child protective services program and has only encumbered and expended 11 percent of the funding for the pilot to expand prevention and intervention programs.

Starting in FY26, the LFC will collect quarterly data on agencies' progress in evaluating the outcomes of their pilot projects presented through quarterly report cards. Agencies will receive a green, yellow, or red rating on five key metrics capturing the evaluation process. These metrics include a clearly defined logic model, clearly defined output and outcome measures, an independent evaluation plan, a rigorous evaluation plan, and the communication of evaluation results. This approach will apply both to the 16 projects from the 2024 GAA and the 33 projects recently appropriated in the 2025 GAA. DFA and LFC are collaborating to hold a training on these metrics for agencies in early July 2025, as part of the yearly training on performance measures, to build agencies' evaluative capacity and outline expectations for evaluating continued funding.

Chart 2. 2024 GAA GRO Pilot Project Funding Status
(in millions)



Source: SHARE

LFC tracking of GRO pilot projects will look at agencies' progress on five key metrics:

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