



# LFC Newsletter

A publication of the Legislative Finance Committee

Senator George Muñoz, Chairman  
Representative Nathan Small, Vice Chairman  
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## From the Chairman Ups and Downs

As I write this newsletter, oil prices are down and recession odds are up, but New Mexico remains in a strong financial position. Throughout this interim, LFC has a clear focus: responding to the challenge of weaker revenues and federal chaos, while fulfilling our responsibility of investing in opportunity for New Mexicans. We will start with a focus on rural New Mexico at our first meeting this spring in Tucumcari.

In recent days, West Texas Intermediate (WTI) oil prices dipped into the \$55/\$56 range, settling for now in the low \$60s to high \$50s. Consider this headline from OilPrice.com: [Saudi Signals and Trump Tariffs are Cracking the Oil Market](#). Lower oil revenues loom. In addition, some voices in the industry voices are predicting an early shale oil production peak: [Letter to Stockholders Issued by Diamondback Energy, Inc. | Diamondback Energy, Inc.](#) In the meantime, dysfunction in Washington, D.C. is deepening. The new administration is denying due process, targeting rural communities with layoffs, and freezing or cutting funding for everything from farm bill programs and food support, to university research and highway construction. New Mexico has already lost over \$100 million in federal funding and we could lose an estimated \$2+ billion.

All of this means that our incredible team of economists and analysts will have an even more important and difficult job over the coming months. In this moment of uncertainty, all of our state spending demands careful review, and we must assess whether the programs formerly supported by federal dollars are aligned with state priorities, are effective, and can be sustainably funded. Fortunately, New Mexico's strategic budgeting means reductions will impact trust funds first, before recurring general fund reductions.

We cannot replace every lost federal dollar, especially on a recurring basis. Still, we must be ready to help backfill essential services, including through the redirection of state funds that aren't having their intended impacts. All while we continue to create more opportunities for all New Mexicans.

We will take public input in our LFC meetings throughout the interim to understand what is working and what isn't, so that we can navigate these unprecedented times together.

As states across the country feel pain and face huge challenges, New Mexico's years of strategic work and good fortune allow us to continue to meet the needs of our people. We are well-positioned to deliver the services New Mexicans count on, out compete other states, and weather whatever chaos this federal administration sows. And if we remain strategic, future-focused, and responsive to these challenges, we may actually emerge from them even stronger.

**Representative Nathan Small**  
Chairman

## Budget Bill Includes \$2.3B in Nonrecurring Spending

Along with \$10.8 billion for the ongoing operations of state agencies and public schools and colleges, the General Appropriation Act of 2025 authorizes another \$2.27 billion in one-time funds for special, supplemental, and deficiency appropriations.

The total includes \$188 million for transportation projects and \$1.44 billion for special projects, including \$458 million for the pilot projects funded through the government results and opportunity—GRO—fund.

The governor vetoed another \$128 million in special appropriations.

She also vetoed language in the bill and separate legislation that would have required LFC and the Department of Finance and Administration to work jointly on accountability and performance standards for GRO projects.

Funding for GRO projects, first authorized in 2024, is intended to be renewed for three years. Funding for successful projects might continue beyond the three years by being rolled into an agency's operating budget but is not guaranteed.

The the governor also vetoed the accountability language in the 2024 General Appropriation Act.

The one-time spending in the 2025 General Appropriation Act includes \$477 million for behavioral health programs, partly to support the new Behavioral Health Reform and Investment Act.

## Some Schools Successful Despite Barriers

Public schools that serve high populations of low-income students are more likely to struggle with performance, but some New Mexico schools have found ways to succeed despite high poverty, an LFC evaluation finds.

[Policy Spotlight: Successful School Practices](#), released at the committee's meeting in January, concludes low-income students are more likely to succeed if their schools have strong systems that provide teachers with frequent, specific feedback about how to improve instruction, tie curriculum to state standards, track student progress, and communicate with families regularly about their students' performance.

While low-performing schools often receive additional funding to address

Child well-being and education non-recurring spending includes \$387.7 million for the Public Education Department, \$86.3 million for the Children, Youth and Families Department, and \$9 million for the Early Childhood Education and Care Department.

CYFD received a number of multiyear appropriations from the GRO fund, including \$47.6 million for personnel and additional funds to increase rates for foster care maintenance payments.

PED's appropriations includes \$40 million for career and technical education, \$29 million for summer reading interventions, and \$62 million for pilots to improve attendance, math and reading instruction, and supports for homeless students.

Nonrecurring appropriations also include \$65 million for road maintenance statewide, \$50 million to develop trade ports, and \$215 million for higher education projects.

The budget bill also authorizes \$210 million in spending from the community benefit fund, a newly created fund for projects that reduce greenhouse gas emissions, increase electric grid capacity, or increase electricity from renewable resources.

To cover spending from the community benefits fund, GRO fund, behavioral health trust fund, and other funds the budget bill authorizes the transfer of \$1.5 billion mostly from the general fund.

high-need students, the report finds more funding alone cannot improve student performance.

The report finds implementing evidence-based practices requires effective, consistent district and school leadership.

In addition, the report finds the Public Education Department school accountability system, NM Vistas, is not well aligned with practices that are known to improve student performance.

The report recommends, among other changes to NM Vistas, that the department collect and analyze data on teacher and school leadership performance and develop an evaluation process with clear timelines, tools, and professional development.

# Medicaid Enrollment Drops Nearly 20 Percent

Medicaid enrollment in March was down 17.4 percent from its peak in March 2023, when the federal government ended a pandemic-era ban on disenrolling patients and states began “unwinding” enrollment by redetermining the eligibility of every client.

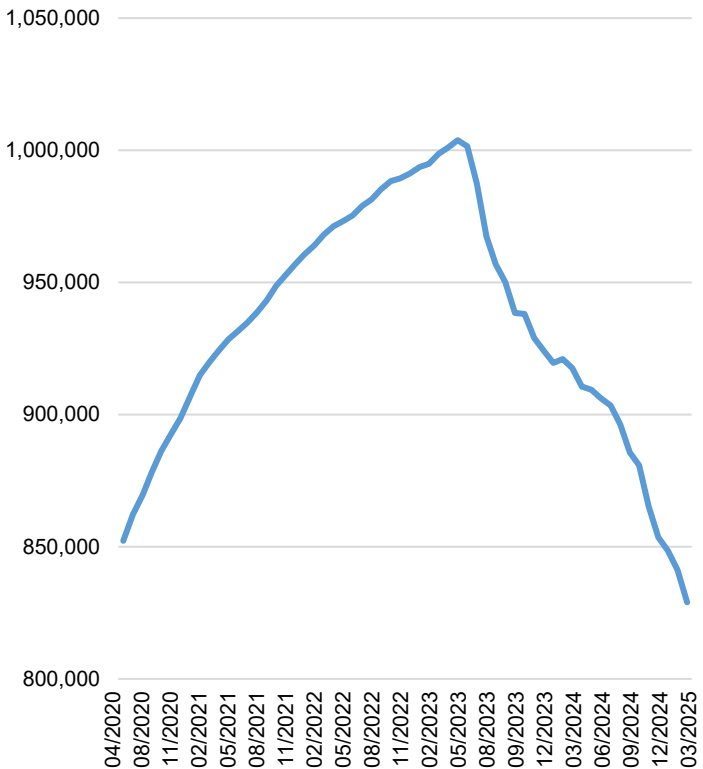
With a per-member-per-month total cost of \$684, the enrollment drop significantly impacts Medicaid spending and resulted in a projected decrease in general fund spending of about \$83 million for FY26.

Of the 174.9 thousand who left Medicaid, about 11 thousand transitioned to the state’s health insurance exchange, but it is unknown how many of the other 163.9 thousand gained coverage elsewhere or are simply not covered.

The decrease, representing about 8 percent of the state’s population, impacts the state’s healthcare landscape because Medicaid, while still the healthcare provider for about 40 percent of New Mexicans, has a diminished role in steering statewide health policy. In addition, more people might be unable to afford care and uncompensated care impacts the healthcare system.

Proposals in Congress to reduce national Medicaid spending, such as instituting work requirements, will likely lead to additional reductions in enrollment and continue eroding Medicaid’s role.

Medicaid Enrollment



Source: Health Care Authority Enrollment Dashboard



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## On the Table

### Rural Schools Program in Limbo

Congress has allowed authorization to lapse for a program that shares certain U.S Forest Service revenues with rural schools. The Secure Rural Schools Program distributes funds to eligible counties to help maintain local roads and schools. New Mexico counties are expected to lose \$8 million, with Catron County set to lose \$3 million and Rio Arriba County expected to lose \$1.4 million. Congress, which last failed to renew the program in the 2016 federal fiscal year, could still vote to restart the payments.

### Job Growth Up; Fed Numbers Down

Private industry job growth beat expectations in the first quarter of 2025 thanks to rapid growth in the construction industry. Total nonagricultural payroll employment grew by 15.5 thousand jobs, or 1.7 percent, between March 2024 and March 2025, the latest job survey data shows. The private sector was up 13.7 thousand jobs, or 2 percent, while the public sector was up 1,800 jobs, or 0.9 percent.

Within government, a strong increase in state government (up 3.3 percent over the year) and a modest increase in local government (1.3 percent) was offset by a sharp decrease in federal government employment, down 3.3 percent or 1,000 jobs from a year earlier. The 3.3 percent year-over-year drop in federal jobs was the largest decrease since the fall 2021, when private sector hiring surged as part of pandemic recovery.

### Albuquerque, Sunland Lead on Cannabis

Albuquerque led New Mexico in all-time cannabis sales through February 2025, with Sunland Park, with a population of just 17 thousand, in second place. Figures released by the Cannabis Control Division show recreational cannabis sales in New Mexico reached \$1.1 billion since legal recreational sales started in 2022. The city with the highest total is Albuquerque, with \$323.3 million in recreational sales. Cannabis sellers in Sunland Park, with sales boosted by buyers from Texas, generated about \$119 million in recreational sales.

### Childcare Capacity

The University of New Mexico’s Cradle to Career Policy Institution reports childcare system capacity and the number of lower-income children served both drop between 2019 and 2023. Capacity dropped by 3 percent, and the number of children in families with incomes below 100 percent of the federal poverty level, or \$26,650 for a household of three, dropped by 689, although the number of children in families with income above 200 percent of the FPL was up by 6,277.

### NM Arts and Culture GDP Below Average

New Mexico’s share of gross domestic product attributable to arts and culture economic activity in 2023 was lower than the national average, the U.S. Bureau of Economic Analysis indicates. While the rate of national GDP was 4.2 percent, up 6.6 percent from 2022, New Mexico’s rate was 2.6 percent, slightly below the 2.8 percent average of the last 10 years. Employment in the industry—which includes performing arts companies, live event managers, and jewelers—accounts for 3.1 percent of the state’s employment.

### Transitions

LFC has four new employees. Henry Jacobs, the newest member of the administrative staff, has a bachelor’s degree in history from the University of Chicago. Harry Rommel, a chemist with a doctorate from the University of Washington and experience at the Higher Education Department and Santa Fe Community College, has joined the health and human services analyst team. Rachel Mabe, most recently a freelance journalist and New Mexico School for the Arts instructor, is the newest member of public education analyst team. Guillermo Caraveo, a new evaluator, has a master’s degree in finance from the University of New Mexico and a law degree from the University of Arizona and is a doctoral candidate in international relations at UNM. He has worked in finance and intelligence gathering, among other fields.