Volume 1

New Mexico Legislative Finance Committee

Report to the Fifty-Seventh Legislature

Second Session

LEGISLATING FOR RESULTS: POLICY AND PERFORMANCE ANALYSIS

January 2026 for the 2027 Fiscal Year

State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

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Honorable Members
Fifty-Sixth Legislature, Second Session
State Capitol
Santa Fe, New Mexico 87501

Dear Fellow Legislators:

Pursuant to Section 2-5-4 NMSA 1978, the fiscal year 2027 budget recommendation of the Legislative Finance Committee is provided to you.

As the committee was finalizing our spending plan in December, we received an updated revenue forecast that was both sobering and affirming. Revenues for the current 2026 fiscal year are now expected to be both lower than initially projected and lower than the 2025 fiscal year. However, our strategic approach to recurring spending during the past few revenue-rich years means the committee can still increase agency budgets for FY27 and make substantial one-time investments in projects and infrastructure that will improve life for New Mexicans.

Recurring general fund revenues for FY27 are projected at $13.9 billion, just a $317 million increase for the two years since FY25. The committee recommends an $11.1 billion budget for FY27, a $268 million, or 2.5 percent, increase over the 2025-2026 fiscal year, leaving general fund reserves at a healthy 32 percent of proposed spending to prepare New Mexico for the economic uncertainty of the coming years.

Additional spending is accommodated through the public education reform fund, the government results and opportunity fund, and other sources of nonrecurring revenue. The nonrecurring spending recommendation includes over $1.7 billion for special, supplemental, and deficiency appropriations, including $328 million for transportation projects.

With an average increase of 2.5 percent, most agencies would see moderate growth under the committee's spending plan. Two key natural resources agencies, the Environment Department and the Energy, Minerals and Natural Resources Department, would see above-average increases of 6 percent and 5 percent, respectively, and the Veterans Services Department would receive a 12 percent increase in general fund revenue.

The committee also recommends spending $73.2 million to increase the state's share of healthcare premiums for public school employees, so that educators can keep more take-home pay. This is equivalent to a 2 percent average pay increase. In addition, the committee recommends an average 1 percent salary increase for state, higher education, and public school employees at a total cost of $62.7 million.

Our nonrecurring investments in a brighter future include $350 million for higher education, including support for the lottery scholarship and the University of New Mexico medical school, $10 million for aquifer restoration related to Rio Grande litigation with Texas, and $40 million for a fund that supports the commercialization of science and technology research.

I would like to thank the membership of the Legislative Finance Committee for their long hours and dedicated service on behalf of the people of New Mexico and the LFC staff for its thoughtfulness and diligence on this very difficult task. Together, we have prepared a responsible budget that prioritizes cost-effective spending on essential programs that will make an impact for families and communities across our state.

Sincerely,

Representative Nathan Small
Chairman

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LEGISLATIVE FINANCE COMMITTEE
TO THE
FIFTY-SEVENTH LEGISLATURE, SECOND SESSION

VOLUME I
LEGISLATING FOR RESULTS: POLICY AND PERFORMANCE ANALYSIS

JANUARY 2026
FOR
FISCAL YEAR 2027

REPRESENTATIVE NATHAN SMALL
CHAIRMAN

SENATOR GEORGE MUÑOZ
VICE CHAIRMAN

CHARLES SALLEE
DIRECTOR

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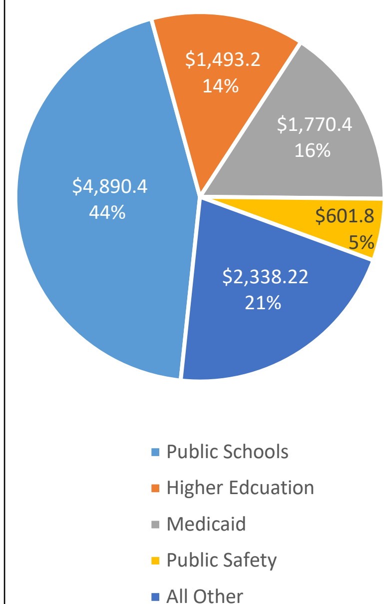
The sharp rise in state revenues beginning in 2021 presented New Mexico with an unusual opportunity to reshape its fiscal foundation. Rather than allowing temporary windfalls to drive permanent expansions in spending, the Legislature focused on two aims: strengthening services that improve long-term outcomes for New Mexicans and building mechanisms to extend the benefits of the strong revenue cycle. In accomplishing both, the Legislature exhibited disciplined budgeting. Sustained fiscal stability requires recurring spending to grow at a pace the underlying economy can support, even as one-time revenues ebb. Maintaining that discipline remains essential in the committee's recommendations for the 2027 fiscal year, as the state transitions from a period of extraordinary collections to a more constrained revenue outlook.

FY27 Recurring General Fund Recommendation
Total: $11.1 Billion
(in millions)



Source: LFC files

The Legislative Finance Committee recommendation for the FY27 state budget prioritizes responsible growth in programs and services that result in better outcomes and improved quality of life for New Mexicans. The committee's recommendation calls for $11.1 billion in spending from the general fund, a 2.5 percent increase over the 2025-2026 fiscal year that leaves general fund reserves at a healthy 32 percent of proposed spending. Nonrecurring sources of revenue, including from the public edcuation reform fund and the government results and opportunity fund for pilot projects, accommodate additional spending. The nonrecurring general fund reccommendation also includes over $2.3 billion in special, supplemental, and deficiency spending for a broad range of projects, the transfer of set-aside funds, and tranportation and IT projects.

Budget Development and Priorities

Budget Development

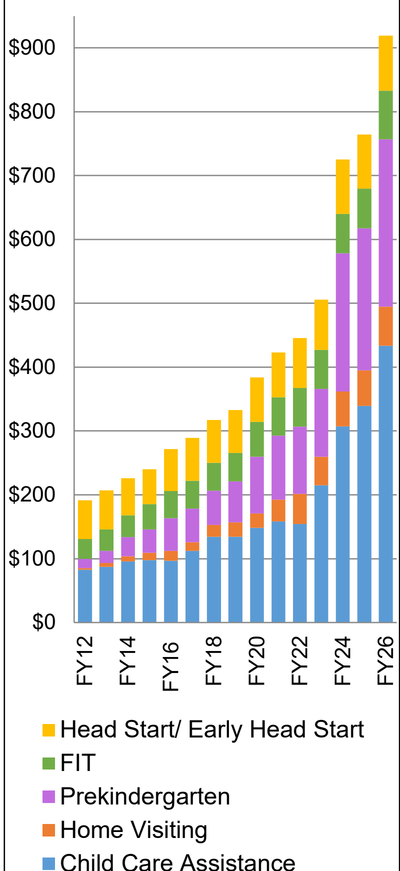
LFC Online: Understanding Government Finances

Finance Facts: Consensus Revenue Estimate

LFC members approved budget guidelines in August 2025 providing direction to staff analysts highlighting the need for responsible growth given future decreased potential revenue from oil and gas. New Mexico's recent revenue surge now faces mounting short-term and long-term risks. Lower oil and natural gas prices, a weaker corporate tax, and federal tax changes have already shifted the near-term forecast. For FY26, recurring general fund revenues are estimated at $13.38 billion—down from prior expectations and FY25—and "total new money" for FY27 is only $105.7 million, a sharp contrast to the large surpluses of recent years. The state's dependence on an industry subject to both abrupt price swings and long-run structural shifts toward cleaner energy suggest the importance of reassessing the pace of spending growth in both recurring and nonrecurring budgets.

Even with these emerging pressures, New Mexico enters the next budget cycle with unusually strong reserves built during the high-revenue years. Estimates show

Recurring Early Childhood Funding History FY12-FY26
(in millions)



Note: Federal direct funding not included in ECECD

Source: LFC Files

LFC Online: Understanding Government Finances

Finance Facts: General Appropriation Act

FY25 ending reserves at $3.18 billion, or 31.1 percent of recurring appropriations, and FY26 reserves at $3.37 billion, or 31.2 percent, before legislative action—both above the 30 percent target.

These balances must be managed carefully as recurring revenues flatten and volatile revenue sources decline. This includes making needed investments for key services for New Mexicans, providing resources for increased costs of benefits packages, and making key one-time investments in high priority policy areas, along with continuing to fund new initiatives through the public education reform fund (PERF) and the government results and opportunity (GRO) fund. Investments in these pilot projects will allow the state to test the impact of novel approaches to ensure they are moving the needle prior to incorporating spending into recurring budgets.

Recommendation

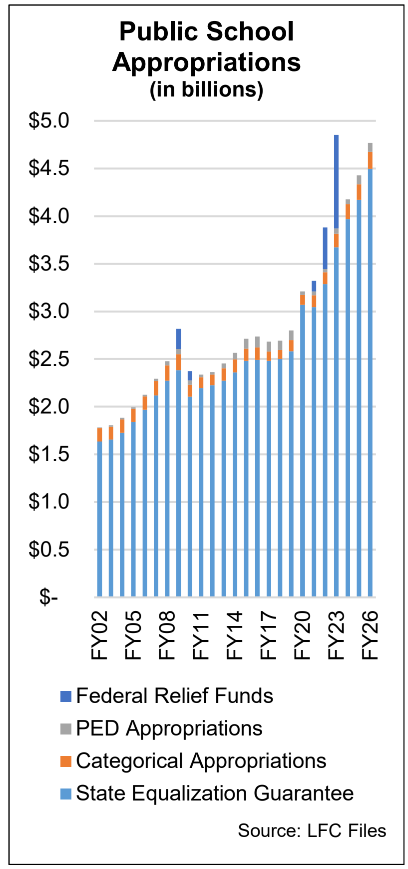
Agencies requested $11.6 billion from the general fund for recurring spending. The LFC general fund recommendation for FY27 is nearly $11.1 billion, up $268 million, or 2.5 percent, from FY26 appropriations. It includes a 1 percent compensation package for public schools, higher education, and state agencies. The LFC recommendation also includes recurring funding to increase the state's share of public school employee health insurance premiums to 80 percent contingent on the passage of legislation similar to that enacted for state employees during last legislative session (Chapter 80). This approach would increase take-home pay significantly for those staff. The LFC recommendation also includes significant one-time investments in special appropriations, supplementals, deficiencies, fund transfers, and multi-year investments through the GRO and the PERF.

Early Childhood

Early Childhood Education and Care Department. The Legislative Finance Committee (LFC) recommends an increase in general fund revenue of $13.7 million, or 4.5 percent, for the department. This includes $3.9 million for home visiting services to new families, $7 million for prekindergarten expansion and quality support, and $3 million for service and rate increases for the Family, Infant, Toddler program for young children with certain health risks. In addition, LFC recommends an increase of $5 million from the early childhood trust fund and $5 million from federal Temporary Assistance for Needy Families (TANF) for Childcare Assistance. In total, the LFC recommendation, including all revenues, is an increase of 5 percent. The additional Childcare Assistance funding prioritizes affordable childcare for infants and toddlers and low-income or at-risk families.
In fall 2025, the department announced it would be providing universal free childcare, which began in November 2025. This announcement will create additional demand for Childcare Assistance without the necessary revenues to implement this policy decision should more people apply and qualify for subsidies. ECECD requested a significant increase in general fund revenue in FY27 for universal childcare and likely will need significant additional revenue in following fiscal years.

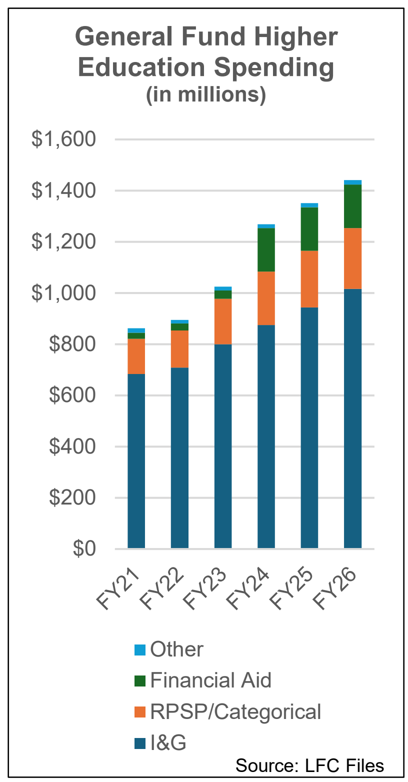
Children, Youth and Families Department. The LFC recommendation for FY27 provides CYFD with recurring funding to supplement nonrecurring investments made during the previous two legislative sessions to address systemic challenges and accountability within the state's child welfare. In FY27, the CYFD budget includes over $30 million in multiyear, nonrecurring appropriations to address chronic workforce challenges, addressing high Protective Services caseloads, and pilot and evaluate a child welfare worker training academy in partnership with New Mexico schools of social work.

The LFC recommendation for the recuring CYFD budget in FY27 totals $409.9 million, an increase of $12.6 million, or 3.2 percent, relative to FY26. The recommendation includes an increase of almost $13 million, or 4.8 percent, in general fund revenue for a total of $282 million. The recommendation also increases federal funding from the Temporary Assistance for Needy Families (TANF) block grant by $5 million for upstream prevention interventions, including evidence-based prevention services, support for youth transitioning from foster care, and supportive housing for families at risk of involvement with Protective Services, as well as about $5 million in increased use of balances from agency funds to support juvenile justice efforts.



Education

Public Education. The committee's recommendation for recurring general fund appropriations for public education totals $4.89 billion, a $121 million, or 2.5 percent, increase from FY26 levels. The recommendation further includes $215 million in nonrecurring, education-related appropriations, including a $89.7 million transfer to the public education reform fund, to evaluate promising education initiatives over a period of three years. Most of the public education funding recommendation is attributable to the formula-based state equalization guarantee distribution (SEG) to school districts and charter schools, which totals $4.61 billion, a $113 million, or 2.5 percent, increase from the prior year. This increase is primarily due to a 1 percent increase in school personnel salaries and a $75 million appropriation to increase employer contribution rates for insurance premiums.



Higher Education. For FY27, the committee recommends a general fund increase of $36.2 million, or 4 percent, for instruction and general (I&G) purposes to be distributed to institutions through the higher education funding formula. The committee further recommends altering the funding formula to remove two mission-specific measures that provided for distribution of I&G funds based on the number of students completing 30 or 60 credit hours. The formula changes also increase the weight for the number of end-of-course student credit hours completed, simplify the calculation, and direct more funding to colleges experiencing the largest enrollment increases. In addition to base funding increases, the committee recommends distributing $5 million to colleges statewide for student support services, $1.5 million to provide medical faculty compensation at University of New Mexico (UNM) Health Sciences Center, and $1 million to provide compensation for graduate assistants at four-year colleges. The total recommended I&G increase comes to $42.1 million, or 4.7 percent. Special schools, including the New Mexico School for the Deaf, the New Mexico School for the Blind and Visually Impaired, and the New Mexico Military Institute, will receive an increase of 6 percent.

The committee recommends moving 22 nursing expansion programs from research and public service project line items into the I&G base and provides these programs with a 3 percent increase. Additionally, the committee recommends

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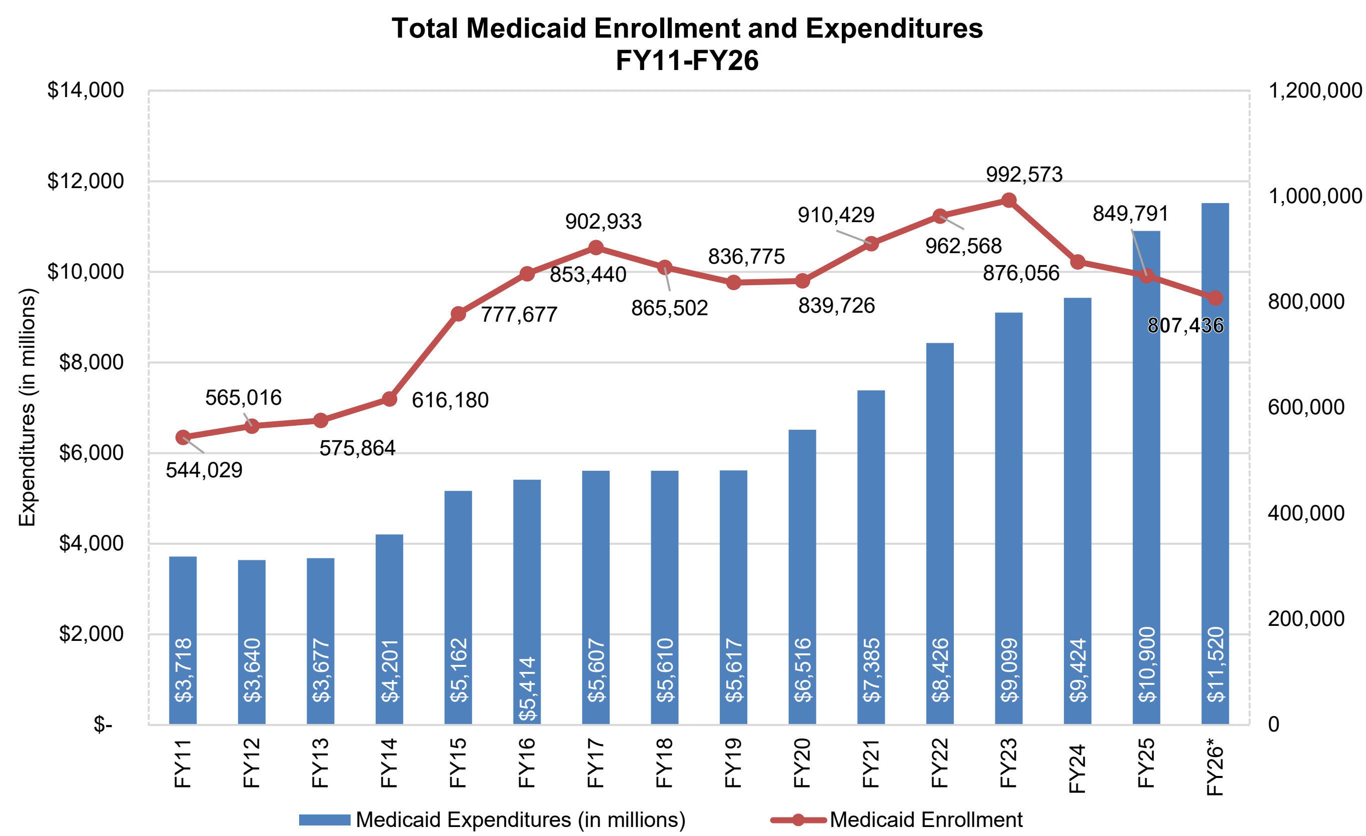
additional funding for the Office of the Medical Investigator housed at UNM and the Bureau of Geology housed at New Mexico Tech. The overall general fund increase recommended for all higher education institutions and the Higher Education Department is $51.3 million, or 3.6 percent.

Health and Human Services

Health Care Authority. The LFC recommendation of $14.2 billion in total funds for HCA is an $819.8 million, or 5.4 percent, decrease from the FY26 operating budget and reflects the committee's budget guidelines that require scrutiny before shifting costs from federal programs to the state. The general fund recommendation of $2.05 billion is a 1 percent decrease from FY26. The LFC recommendation includes a Medicaid base adjustment because of significant carry-over funds from the last two budget cycles, recognizes a smaller decrease in Medicaid enrollment because of eligibility and work requirement changes, credits a smaller increase in utilization for behavioral health and developmental disabilities services than requested, and supports the agency's request to backfill federal SNAP administrative matching funds. The recommendation also supports some of the requested increases for health insurance affordability and the requested increase for health benefits for state and local employees.

Department of Health. The $227.6 million general fund recommendation for the department represents a $7.8 million increase, or 3.5 percent, in the general fund appropriation over FY26. A significant portion of the increased general fund recommendation was for fixed costs, primarily for health insurance and risk rate increases. The LFC recommendation also supports the increased workload



*Projected enrollment and October enrollment

Source: HCA Enrollment Dashboard

because of recent competency law changes, including $2.2 million in nonrecurring funding for additional toxicology equipment.

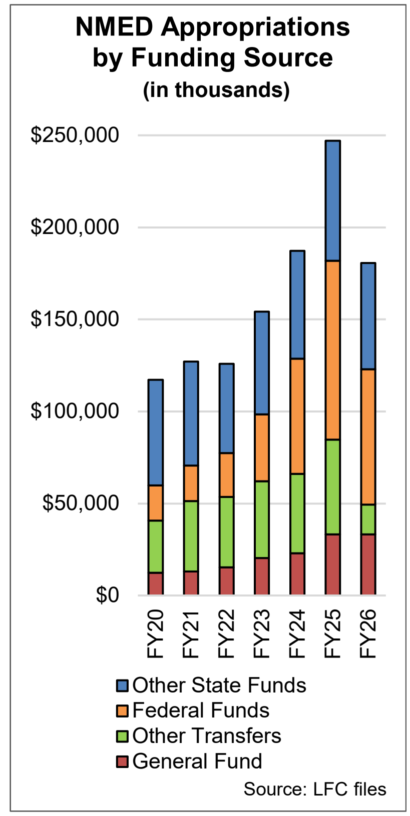
Economic and Workforce Development

Economic Development Department. The Legislature has made significant recurring and nonrecurring investments to EDD—increasing general fund recurring funding by 108.7 percent between FY22 and FY26 and appropriating $196.6 million in one-time funding during the 2025 session. Recognizing recent investments in the agency's operating budget, the committee recommends a general fund budget of $28.8 million, a 1.9 percent increase over FY26. To continue the agency's efforts to foster economic growth in its target sectors, the recommendation includes over $100 million in nonrecurring investments, including funding for the research, development, and deployment fund; innovation hubs; grant programs supporting startups, entrepreneurs, and small business; and quantum computing.

Workforce Solutions Department. After several years of significant investments in workforce training, the LFC recommendation provides the Workforce Solutions Department with a relatively flat recurring budget in FY27 while the agency continues to receive support for apprenticeships for adults and youth and intensive outreach for out-of-school and at-risk youth.

Natural Resources

Environment Department. The committee recommends a total budget of $225.1 million for the Environment Department for FY26, an $8.3 thousand, or 3.6 percent, decrease from FY26. LFC recommends a $2.2 million, or 6.2 percent, increase in general fund revenue for FY27. The general fund recommendation funds the requested increases for health insurance premiums. To fund the agency's requested risk insurance and information technology rate increases, the committee recommends increased utilization of the agency's corrective action fund, totaling an additional $602.9 thousand in usage for FY27.



Energy, Minerals and Natural Resources Department. LFC recommends a total budget of $254.9 million for the department, a $10.8 million increase, or 4.4 percent, from FY26. The LFC recommendation supports the increases from federal and other state sources. It includes a general fund increase of $2.1 million, or 4.7 percent, for increased risk and health insurance premiums across the agency, information technology rate increases, and implementation of the Wildfire Prepared and Timber Grading acts.

Office of the State Engineer. The LFC recommendation provides a $1.2 million, or 3.1 percent, general fund increase. The committee recommendation also funds two of the requested expansion positions within the Water Resource Allocation Program for management of the Middle Rio Grande and settlement implementation resulting from the Texas v. New Mexico court case, doing so through increased usage of the agency's irrigation works construction fund and funding the positions through the agency's base budget. The recommendation also funds the liability and health insurance premium increases of the Litigation and Adjudication program through increased use of the irrigation works fund. Including the increased usage of that fund, the committee recommends a $1.6 million, or 2.9 percent, total increase.

LFC Online: Understanding Government Finances

Finance Facts: General Fund Reserves

Judiciary

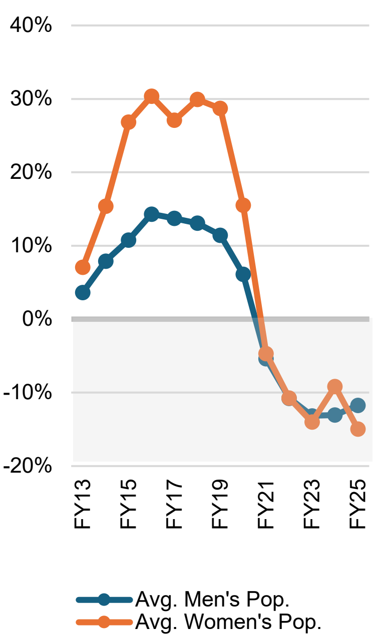
Administrative Office of the Courts. LFC recommends a total general fund increase of $3 million, or 5 percent, over FY26 for the Administrative Office of the Courts (AOC), bringing the total budget to $84.2 million across all funding sources. LFC recommends funding for increased health and risk insurance rates, the Statewide Judiciary Automation program's "critical court services funding shortfall," and behavioral health operational costs. For district courts and the Bernalillo County Metropolitan Court, the recommendation is a $4.2 million, or 2.2 percent, increase over FY26. The LFC recommendation primarily funds health and risk insurance rates for district courts and Bernalillo County Metropolitan Court.

District Attorneys. LFC recommends a statewide general fund increase for district attorneys of $2.9 million, or 2.5 percent, compared with FY26. The recommendation funds health and risk insurance rates and replaces federal funds that will no longer be available. The remaining funds are for IT and subscription costs.

Public Defender Department. For the Public Defender Department, LFC recommends a general fund increase of $2.5 million, or 3 percent, over the FY26 operating budget, bringing the total budget to $84.9 million across all funding sources. This includes funding for health and risk insurance rates, recent agency increases in personnel spending, and some subscription and rent costs.

Attorney General. For the Attorney General, LFC recommends a general fund decrease of $559.8 thousand in line with the agency request but recommends increases from the consumer settlement fund and federal revenues, for an overall increase of $2.7 million, or 6.8 percent, over FY26. With a large recent increase in hiring and a lower vacancy rate, the funding increase would supplement available personnel spending and provide funding for contract attorney and litigation expenses.

New Mexico Prison Population
Indexed to FY09



Source: NMSC, LFC files

Public Safety

Department of Public Safety. The LFC's FY27 budget recommendation emphasizes public safety as a key priority, providing $206 million from the general fund, a 3 percent increase over FY26, and a total budget of $251.7 million across all funding sources. The recommendation focuses on maintaining robust law enforcement and emergency response systems, supporting the New Mexico State Police, administrative operations, and evidence-based public safety initiatives. By targeting investments in the agency's workforce, the budget aligns with national standards to enhance public trust and law enforcement effectiveness while addressing persistent challenges, such as vacancies and rising personnel costs.

Corrections Department. The committee's FY27 budget recommendation for the Corrections Department emphasizes improving recidivism reduction programs and addressing operational needs while balancing costs. The recommendation provides a 3.3 percent increase in general fund appropriations, totaling just over $11 million, including $6 million in new funding for the Inmate Management and Control Program to support increases in risk insurance rates and health insurance premiums, and enhance evidence-based reentry initiatives. These changes aim to stabilize rising operational costs, improve programming for reducing recidivism, and address infrastructure challenges while accounting for declining inmate populations and persistent staffing shortages.

Compensation

An increase in the state's share of employee health insurance premiums enacted in 2025, funded temporarily on a nonrecurring basis from the health care affordability fund, resulted in increases in take-home pay between $1,900 and $6,400 per participating employee. The LFC recommendation for state agency budgets includes sufficient funds to backfill these increases with general fund revenues and also includes $73.2 million to make similar changes for public school employees, equivalent to a 2 percent average pay increase. Additionally, the recommendation includes funding for FY27 rate increases at the higher state contribution rates, insulating employees from future health insurance increases.

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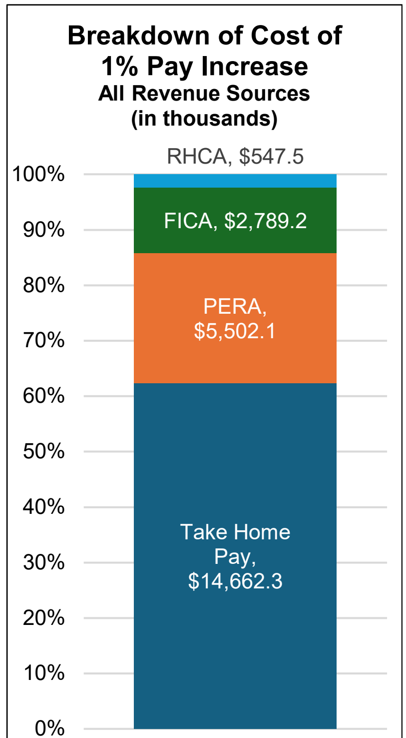
In addition to boosting employee take-home pay through health coverage, the LFC recommendation includes sufficient funding for an average 1 percent salary increase for state, higher education, and public school employees. This recommendation totals $62.7 million, with $36.7 million allocated to public school support and $26.5 million through distributions from the Department of Finance and Administration and Higher Education Department.



Note: Includes both employer and employee contributions. Take home pay does not account for an employee's income tax liability.

Source: LFC analysis

Roads

The Department of Transportation (NMDOT), mainly funded with state road fund revenues for highway maintenance and federal funds for road construction, projects a small increase of state and federal revenue into the state road fund for FY27, including a small increase for the agency's primary revenue source, taxes on gasoline and diesel fuel. The LFC recommendation of $1.281 billion prioritizes revenue for agency personnel; the department has been faced with rising salary and health insurance costs that have taken an outsized share of overall revenue. The LFC recommendation also includes $327.5 million from the general fund for transportation projects and equipment, with $155 million for NMDOT-led road maintenance projects, $155 million for local and tribal governments through the transportation project fund, and $5 million for the department to replace aging equipment. Additionally, the LFC recommendation includes $4.5 million for road safety audits from the government results and opportunity fund.

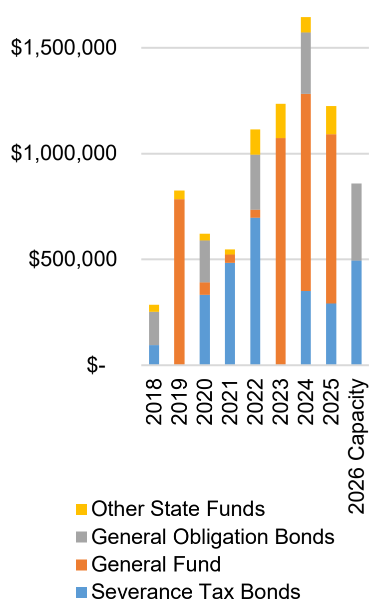
Deficiency, Special, and Supplemental Appropriations

The recommendation for special, supplemental, and deficiency appropriations totals $1.47 billion, of which $1.122 billion is from the general fund. Investments include $327.5 million for transportation programs, $227.3 million for water projects, including $100 million to supplement shovel-ready projects funded by the Water Trust Board, $134.8 for economic development programs at the Tourism Department and Economic Development Department, and $100 million for workforce housing through the New Mexico Finance Authority's opportunity enterprise fund.

The recommendation includes $28.6 million in supplemental and deficiency appropriations from the general fund for prior year and projected FY26 shortages in agency budgets, the majority of which is to support the Secretary of State's election fund, which is used to pay election costs of local government and the Secretary of State.

Government Results and Opportunity Fund. The recommendation contains $79.9 million for appropriations from the government results and opportunity fund. This includes $48 million for the Early Childhood Education and Care Department, with programs to pilot childcare subsidies for families. Additionally, the Children, Youth and Families Department would receive $16.5 million, with $12 million for the Protective Services Program to establish a dedicated unit to provide in-home services using the evidence-based SafeCare model for reducing child maltreatment and $4.5 million for the Juvenile Justice Facilities Program to establish and provide evidence-based youth mentoring in communities throughout the state. Appropriations will be spread out over three years to provide consistent funding while agencies evaluate the effectiveness of the new initiatives before funds are added to recurring operating budgets for programs.

Annual Capital Appropriations by Fund Source and New Bonding Capacity
(in thousands)



Source: LFC files

Fund Transfers. The recommendation contains $790 million in fund transfers, $666 million of which is from the general fund and intended for future spending, including $300 million to the higher education major projects fund, $100 million to the water project fund, $100 million to the opportunity enterprise revolving fund, and $50 million to the behavioral trust fund. The LFC recommendation also transfers $30 million to the appropriation contingency fund, which continues to be utilized heavily to fund emergency declarations from the governor.

Information Technology. The LFC recommendation for IT funding totals $35.7 million from all funding sources for nine projects. The recommendation includes $30 million in general fund revenues and $5.7 million in other state funds. Included in the recommendation is $18.6 million in general fund revenues to the Higher Education Department for the Collaborative for the Higher Education Shared Services project for five community colleges, $4 million in general fund revenues for the Taxation and Revenue Department to ensure compliance with new federally required driver and vehicle interface mandates, and $750 thousand in general fund revenues for the Secretary of State to continue implementation of its new web-based filing system.

In addition to newly requested funding amounts, a total of 10 agencies submitted 19 requests to reauthorize prior-year appropriations through FY27. Originally, those appropriations totaled $162.9 million and reported balances requested to be reauthorized total $72.8 million, roughly 45 percent of the original appropriations.

Capital Outlay and Infrastructure

Capital outlay requests from state agencies, judicial entities, higher education institutions, and special schools totaled roughly $2.2 billion. Recent revenue surpluses have supported large infusions of funding into the state's capital program, yet the state continues to face challenges completing projects largely because of capacity limitations, rising construction costs, and insufficient planning and coordination of funding sources. At the end of FY25, outstanding capital balances totaled an estimated $7.2 billion across 6,000 projects.

With such a full construction pipeline, the LFC capital outlay framework prioritizes completion of major projects to which the Legislature previously appropriated funds and exercises caution in starting large, new projects. The framework proposes approximately $435 million from severance tax bonds, $250 million from supplemental severance tax bonds, $379 million from general obligation bonds, and $57 million from other state funds.

Major state agency projects in the framework include $100 million for the executive office building in Santa Fe, $80 million for a new forensic unit at the Behavioral Health Institute in Las Vegas, $20 million for restoration and improvement of state parks, $26 million for public safety radio communication infrastructure statewide, $10 million for watershed restoration and community wildfire protection projects, $8 million for a new wildfire response program facility for the Forestry Division of the Energy, Minerals and Natural Resources Department, and $10 million for aquifer restoration on the Lower Rio Grande to support implementation of the Texas v. New Mexico settlement. Additionally, the framework proposes several appropriations to support grant programs for local projects, including $45 million for local recreation and quality of life projects, and $26.5 million to complete construction of shovel-ready, local capital projects.

Major higher education projects in the framework include $55 million for an interdisciplinary academic building at New Mexico State University, $40 million for renovation of the Mineral Science and Engineering Complex at the New Mexico Institute of Mining and Technology, $15 million for the Center for Technical Innovation and Entrepreneurial Development at Central New Mexico Community College, and $15 million to replace the agricultural sciences building at Eastern New Mexico University. The LFC budget recommendation further supports a $20 million special appropriation for distribution to institutions for building repair and renewal and demolition and a $300 million special appropriation to capitalize a new higher education major projects fund to ease pressure on limited general obligation bond revenues and create a mechanism for funding improvements to student housing and student life facilities.

Finally, the LFC capital outlay framework and budget recommendation proposes roughly $545 million from multiple sources to fully fund construction of a new School of Medicine at the University of New Mexico, a lynchpin in an ambitious effort to support doubling enrollment in medical doctor and health professions programs with the goal of expanding the state's healthcare workforce.

Revenues and Fiscal Policy

After years of revenue expansion, New Mexico is now entering a markedly different phase. The rapid fiscal gains of FY22 and FY23—fueled by exceptional oil and gas activity, elevated prices, and unusual post-pandemic economic conditions—have given way to a far weaker revenue environment. Collections that once grew at historic rates are now slowing sharply as national and state economic momentum cools, wage and employment gains lose strength, corporate profitability softens, oil prices flounder, and state and federal tax changes erode the state's income tax base. Combined, these conditions led to modest recurring revenue growth in FY25, but are expected to lead to a contraction of 1.6 percent in FY26. A rebound in FY27 of roughly 4 percent reflects growth from a depressed base rather than a return to the elevated trend of prior years. The outlook beyond FY27 suggests the state has moved out of the post-pandemic boom and back into a more restrained revenue trajectory shaped by moderate economic growth.

Recurring revenues for FY25 are estimated at $13.6 billion, up $545.5 million, or 4.2 percent, from FY24, a return to historical growth rates as previously expected. General fund appropriations exceeded general fund revenues by $161.6 million, which was drawn from the operating reserve. Ending reserve balances for FY25 are estimated at $3.18 billion, or 31.1 percent of recurring appropriations. Because total reserve balances exceed 25 percent of recurring appropriations, the excess of the five-year average of oil and gas school tax—$436.2 million—will go to the early childhood education and care trust fund (ECTF) instead of the tax stabilization reserve. Excess federal oil and gas royalty payments above the five-year average, estimated at about $805.9 million in FY25, will also flow into the early childhood trust fund.

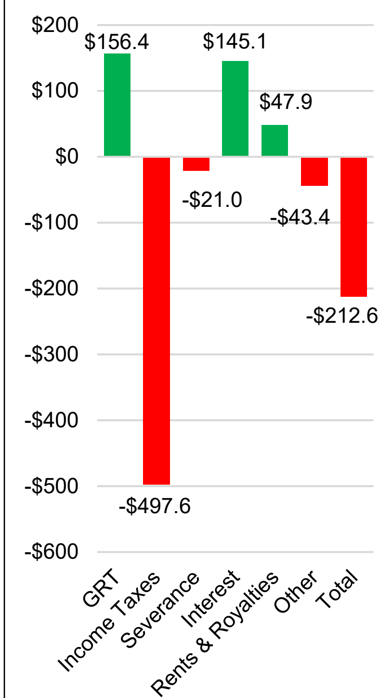
While recurring revenue is $3.1 billion more than prior-year recurring spending, nonrecurring spending has grown rapidly in recent years and now represents more than 29 percent of spending in a single legislative session. Total revenues less total prior-year spending more accurately reflects new general funds available over prior years and is $105.7 million in FY27.

Economic Forecast

U.S. Economy

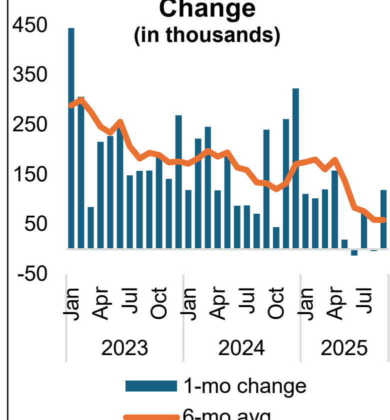
U.S. economic growth remained resilient through 2024 and rebounded after a brief contraction in early 2025. Real gross domestic product declined at a 0.5 percent annual rate in the first quarter of 2025 before expanding 3.8 percent in the second quarter, according to the U.S. Bureau of Economic Analysis. Economic

Change in Recurring General Fund Revenue FY26 over FY25



Source: December 2025 CREG

U.S. Nonfarm Payroll Employment Month Change (in thousands)



Source: BLS

For more info:

General Fund Consensus Revenue Estimate
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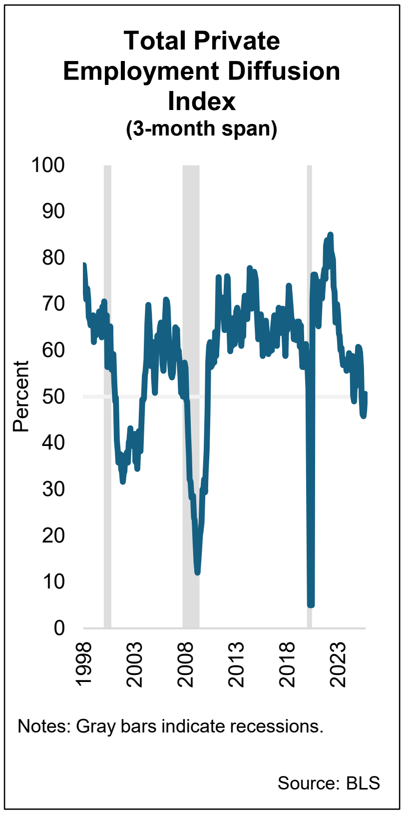


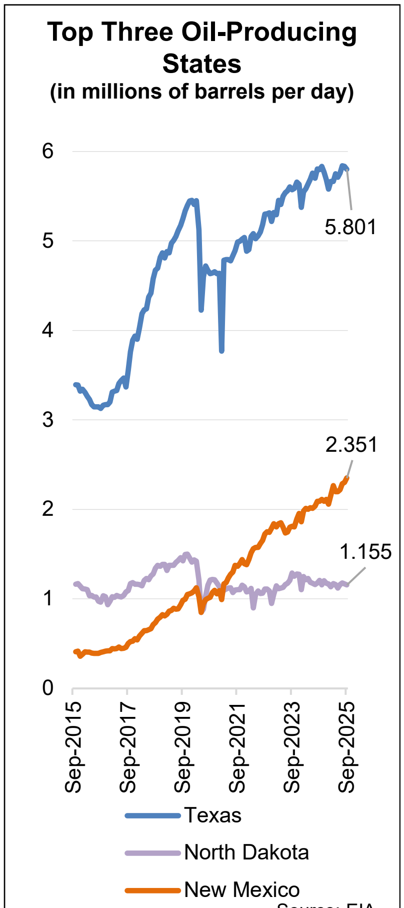
forecasters at S&P Global estimate gross domestic product (GDP) growth of 2.8 percent in FY25, slowing to 1.4 percent in FY26.

Despite positive headline growth, the labor market is showing signs of weakening, shifting to a low-hire, low-fire environment. Payroll growth has slowed to 39 thousand jobs per month since May, well below the prior 12-month average of 150 thousand. The share of industries adding jobs has narrowed to just above 50 percent, a pattern historically associated with recessionary periods, while job openings per unemployed worker have fallen to 2017 levels.

Inflation has trended higher again, with the consumer price index (CPI) rising 3 percent year-over-year in September. S&P Global projects inflation to average 2.5 percent through FY26 before easing gradually. The Federal Reserve cut rates in December 2025, with cuts beginning in 2026 toward a 3.125 percent neutral rate.

New Mexico Economy

Preliminary August 2025 data from the U.S. Bureau of Labor Statistics show New Mexico's seasonally adjusted nonfarm employment at 904.8 thousand—slightly below July but still 1.6 percent higher than a year earlier. The University of New Mexico's Bureau of Business and Economic Research (BBER) projects this pace will not be sustained; job gains are likely to ease to 0.5 percent in FY26 and then slip into a modest decline by FY28 before settling into a relatively flat trajectory for the remainder of the forecast horizon.



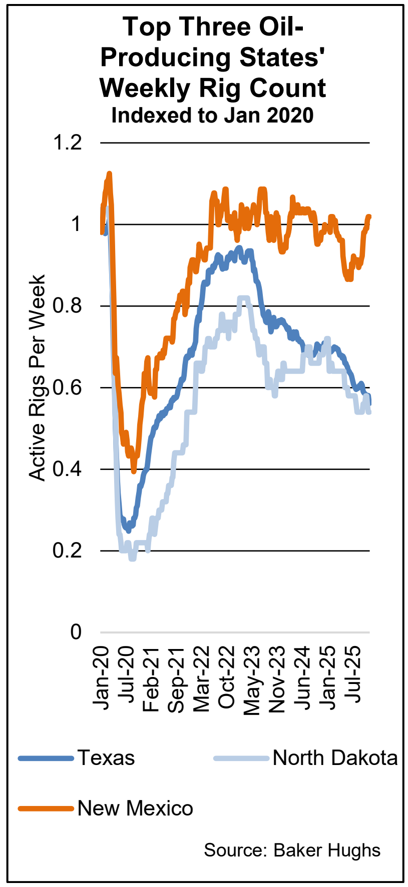
The state's labor force participation rate, the share of the working-age population working or looking for work, reached 57.7 percent in August, still well under the national average but nearly back to its prepandemic high of 58.7 percent. After a brief uptick in 2025—when BBER estimates participation will grow about 0.8 percent—longer-term growth is expected to slow considerably, edging down to roughly 0.3 percent to 0.2 percent a year as demographic trends and softer labor demand weigh on the workforce.

Wage growth continues to cool from the extraordinary gains of the recovery years. Total wages and salaries increased 5.3 percent in FY25, marking a clear downshift after annual growth above 6 percent from 2021 through 2024, including a peak of 9.1 percent in 2022. Over the medium term, wage gains are projected to align more closely with historical patterns, averaging about 4.4 percent annually from 2026 through 2030.

Personal income exhibits a similar transition. After rising 4.3 percent in 2022, 4.8 percent in 2023, and 5.5 percent in 2024—boosted by high inflation, strong labor markets, and substantial transfer payments—income growth is estimated at 5 percent in 2025. Beyond that, expansion is expected to moderate, with average annual growth near 4.8 percent from 2026 to 2030 as the effects of post-pandemic forces recede and the economy returns to a steadier pace.

Energy Markets

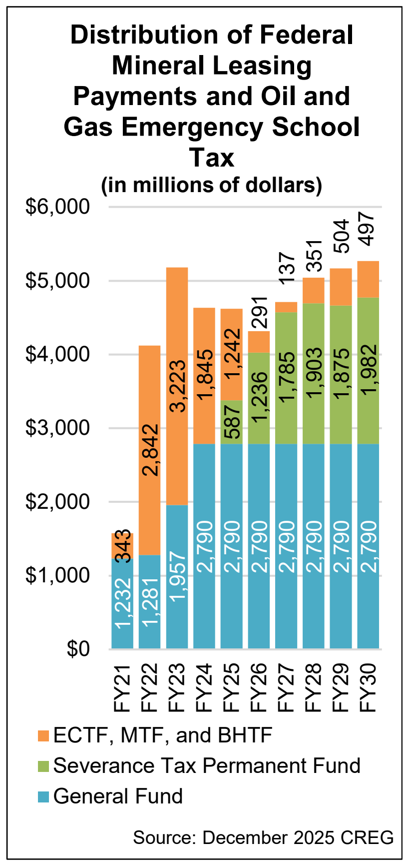
Over the past several years, New Mexico's oil and natural gas industry has experienced significant growth, more than quintupling since 2017 (461 percent growth), making New Mexico the second-largest oil producer in the United States behind Texas. In the last year alone, New Mexico production drove nearly 40 percent of U.S. oil production growth. Oil and gas prices remain volatile amid shifting geopolitical conditions, changes in OPEC+ policy, weak demand, and elevated input costs. Despite this, production has remained stable as development in the Permian Basin matures and firms shift from innovation-driven expansion toward capital discipline and long-term cash flow strategies.



Although moderate oil production growth is expected, production is slowing. The state produced 781 million barrels of oil in FY25, a 9.9 percent increase from FY24 but well below the rapid growth of prior years. Production is expected to rise 2.5 percent in FY26 to 820 million barrels, with growth continuing at a slowing pace. Natural gas production growth is also moderating but remains stronger than oil, reaching 4 trillion cubic feet in FY25. Production is forecast to average 12.3 billion cubic feet per day (bcf/day) in FY26 and 12.7 bcf/day in FY27. Natural gas prices averaged $3.19 per thousand cubic feet (mcf) in FY25 and are expected to remain mostly below $4/mcf through 2026 amid high inventories, warm winters, and pipeline constraints that continue to weigh on New Mexico prices.

Revenue Forecast

Severance tax collections—which include the oil and gas school tax, oil conservation tax, resources excise tax, and natural gas processors tax—are projected to total $1.89 billion in FY26, a decrease of $79.5 million, or 4 percent, from FY25. Recent declines in oil and natural gas prices now outweigh modest upward revisions to production because state revenues are far more sensitive to price movements than to incremental volume gains. Even small price declines reduce taxable value across the entire production base, while production growth remains gradual and constrained by the availability of capital. Despite declining topline revenue in FY25, legislative changes help buffer the general fund from volatility by redirecting portions of these revenues to various trust funds and permanent funds.



Excess oil and gas school tax revenue and federal mineral leasing (FML) payments are distributed to trust funds and permanent funds before reaching the general fund, including the early childhood trust fund (ECTF), severance tax permanent fund (STPF), and—new for FY26 through FY28—the behavioral health trust fund (BHTF). Similarly, only $1.64 billion of projected $2.79 billion in FY25 FML revenue will reach the general fund after distributions. Legislation enacted in 2025 created the Medicaid trust fund (MTF) and directed half of the ECTF portion of excess FML revenue to that fund. From FY25 to FY30, over $3 billion is projected for the ECTF, BHTF, and MTF, and over $9.3 billion for the STPF.

Data from the Taxation and Revenue Department shows matched taxable gross receipts (MTGR)—a better measure of economic activity than tax revenue because it measures the spending subject to the gross receipts tax and not altered by changing tax rates—were up 4.8 percent in FY25 compared with FY24, a slowdown from 6.4 percent growth in FY24, 14.6 percent growth in FY23, and 21.7 percent growth in FY22. Strong collections have been the result of higher spending in the mining sector, record public investments in construction, high consumer savings, strong wage and consumption growth, and relatively high inflation. However, slower mining activity, lower wage growth, and pessimistic consumer perceptions are beginning to translate into lower expectations for revenue collection growth.

LFC Online: Understanding Government Finances

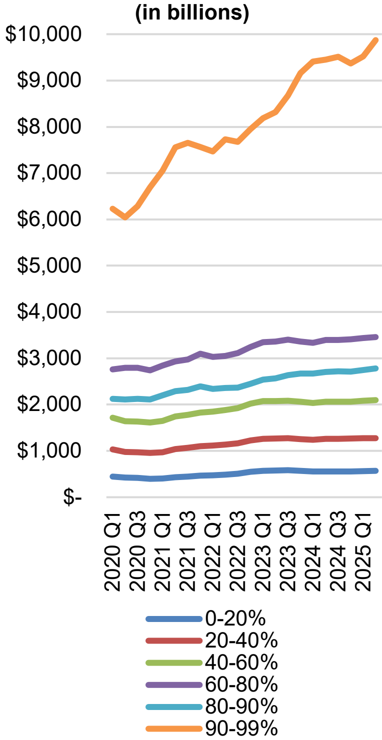
Finance Facts: Consensus Revenue Estimate

Income tax revenues fell short of the consensus revenue estimating group's (CREG) expectations in FY25 as momentum from earlier in the fiscal year slowed in the final quarter. Income taxes were $2.9 billion in FY25, up 3.2 percent, or $90.9 million, compared with FY24. Income taxes are expected to pull back in FY26, with CREG forecasting a 17 percent year-over-year drop driven by corporate income tax revenue declines. The decrease is primarily the result of federal tax changes enacted in the budget reconciliation bill (known as H.R.1), which are expected to reduce taxable income at both the federal and state levels, moderating oil and gas prices, and slowing manufacturing activity, which together form the underlying base of New Mexico's CIT collections.

In FY25, personal income tax (PIT) collections declined 2.9 percent from FY24, reflecting the combined effects of PIT bracket reductions and slowing oil and gas withholding revenues. In FY26, federal tax changes enacted under H.R.1 are expected to further reduce PIT revenues through New Mexico's conformity with the federal tax base. Key provisions include a new deduction for passenger-vehicle loan interest and an expansion of the standard deduction. Together, these changes are expected to reduce New Mexico PIT collections by $45.5 million

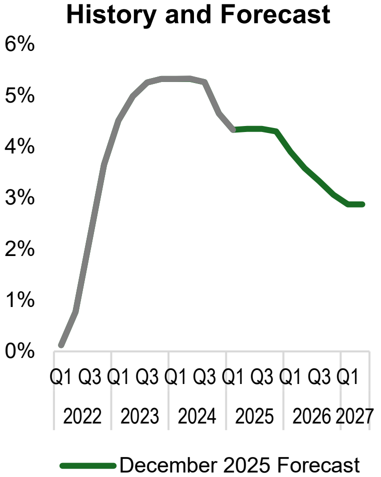
Revenues from the State Land Office's (SLO) activity on rents and lease sales are projected to reach record highs in FY26 due to several one-time factors that temporarily expanded the supply of valuable leasable acreage and elevated bidding activity. Total SLO revenues are estimated at $536.4 million in FY26, of which $511.86 million is expected to flow to the general fund—far surpassing the previous record of $184.4 million set in FY19 during the first fracking boom. An estimated $362.6 million is nonrecurring. The surge in collections is primarily attributable to SLO's release of withheld prime parcels following enactment of higher royalty rates in the 2025 session, enhanced compliance enforcement that returned underutilized acreage to auction, and the resolution of longstanding potash-related litigation that unlocked additional tracts for leasing. The CREG has incorporated these gains into the forecast, noting the largely nonrecurring nature of the increase will help offset near-term declines in other general fund sources but should not be expected to persist.

Personal Spending by Income Percentile
(in billions)



Source: Moody's Analytics

Federal Funds Rate History and Forecast



Source: S&P Global Forecasts

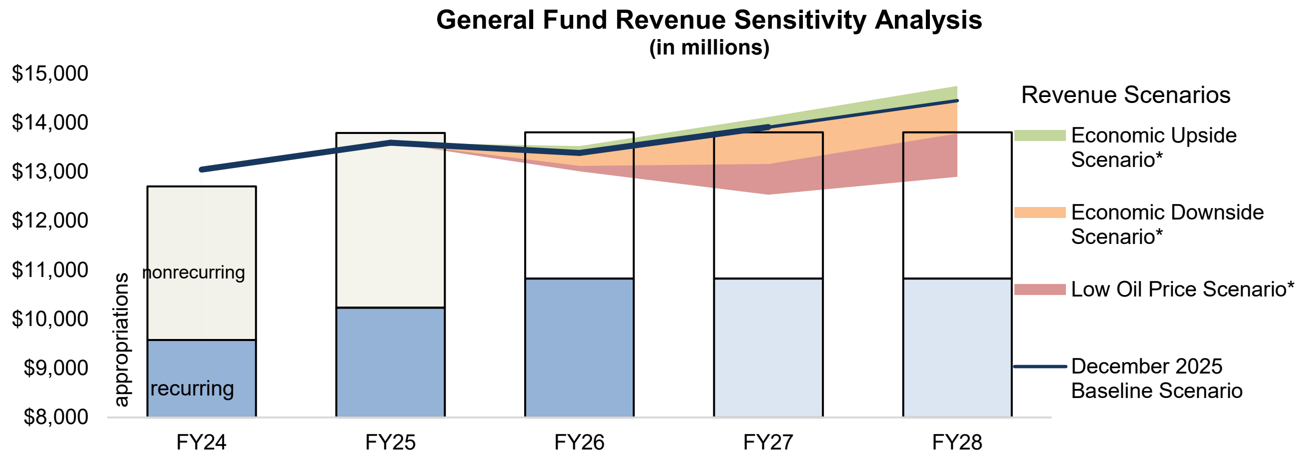
Forecast Risks

Energy. New Mexico's dependence on the energy sector makes oil market volatility the largest, most significant downside risk to the general fund forecast. Stronger oil and gas prices and higher production would necessitate an upward revision to the consensus revenue estimate for transfers to the early childhood trust fund and the severance tax permanent fund. A significant downside risk remains not only in falling severance and royalty revenues but also through gross receipts tax and income taxes. Recent analysis from Rystad Energy notes higher input costs have driven breakeven prices, the minimum price per barrel of oil that a company needs to cover its production costs, from a prepandemic average per-barrel oil price of $29.60 to the mid $40s for existing wells in New Mexico.

Inflation. Inflation remains a key source of uncertainty in the revenue forecast. Higher inflation can suppress real economic activity, reducing incomes and spending and creating downside risks for state revenues. At the same time, inflation can temporarily boost nominal tax collections, presenting an upside risk

Stress-Testing the Revenue Forecast

The December 2025 consensus revenue estimates included a sensitivity analysis of select general fund revenues—including severance taxes, federal mineral leasing payments, personal income taxes, and gross receipts taxes—to three scenarios: an optimistic scenario with stronger economic growth, a pessimistic scenario with a weaker economic recovery, and a low oil price scenario. While the revenue forecast inherently faces risk, stress testing helps the Legislature prepare by looking at alternative outcomes.



*Scenarios are informed by Moody's Analytics' alternative scenarios published July 2025. The upside scenario is designed so that there is a 10% probability that the economy will perform better and a 90% probability that it will perform worse. The downside scenario is designed so that there is a 90% probability that the economy will perform better and a 10% probability that it will perform worse. The low oil price scenario is designed to reflect the impact on the economy under the assumption of lower oil prices. Recurring and nonrecurring appropriations are held flat

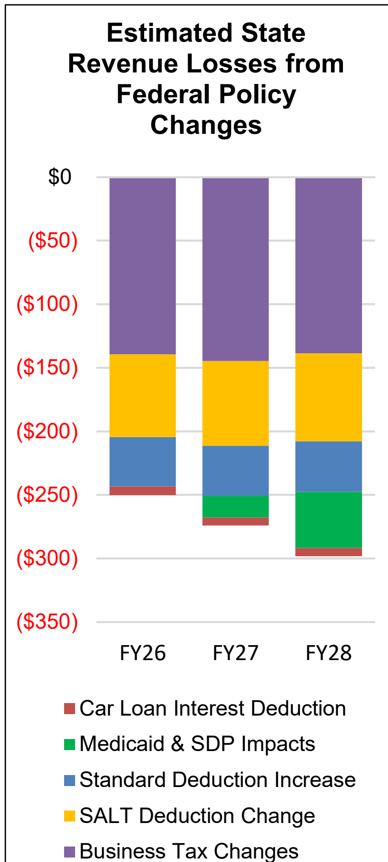
Source: December 2025 CREG

in the near term. The balance of these forces—and the federal policy response—will significantly influence revenue performance over the forecast horizon.

National consumer price inflation is expected to gradually move toward the Federal Reserve's target over the medium term. Although inflation has fallen well below its pandemic-era peaks and many near-term risks have softened, upward pressure remains. The current forecast anticipates inflation will remain above 2 percent through FY28, slightly higher than in the previous projection.

Federal Policies. Federal policy changes can substantially influence New Mexico's state revenues, and several major federal actions have already taken effect with additional changes expected over the forecast period. These policies affect revenues both directly—through New Mexico's conformity to portions of the federal tax code, changes to Medicaid that may alter insurance tax collections, and adjustments to federal royalty rates on oil and gas production from federal lands—as well as indirectly, through federal fiscal and regulatory shifts that reverberate across the national economy. Wherever possible, CREG has incorporated both the direct and indirect impacts of these changes into the current revenue forecast.

On July 3, 2025, Congress passed H.R.1, which the president signed into law on July 4, 2025 as Public Law 119-21. The legislation makes substantial changes to federal personal and business income taxes and Medicaid eligibility and payment rules, among other changes. Many of these provisions directly affect state revenues. Collectively, H.R.1 is expected to reduce state general fund revenues by $250 million in FY26, $274 million in FY27, and $298 million in FY28.



Source: CREG, LFC Analysis

For more info:

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Federal Policy Changes Impacting New Mexico State Revenues

Description	FY26	FY27	FY28
Enhancement of increased standard deduction	($38.6)	($39.2)	($39.9)
No tax on car loan interest	($6.9)	($6.4)	($6.4)
Limitation on individual deductions for state & local taxes	($65.3)	($66.7)	($69.0)
All other changes to business-related federal tax provisions	($139.4)	($144.7)	($138.8)
Changes to Medicaid and state-directed payments	($0.0)	($17.1)	($44.1)
Total	**($250.2)**	**($274.1)**	**($298.2)**

Note: Estimate of impacts above TCJA extension.

Sources: December 2025 CREG

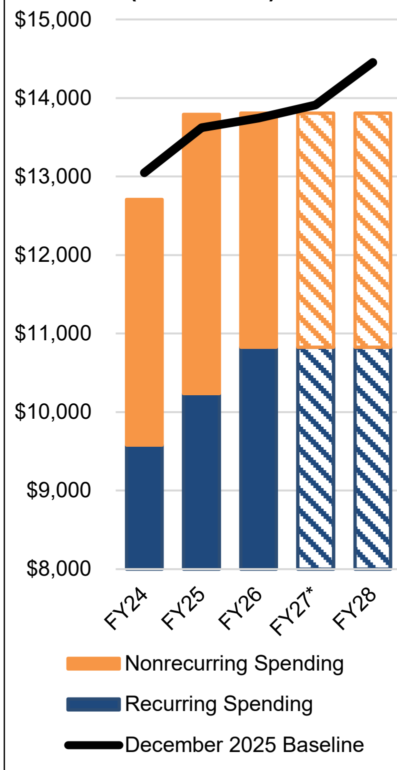
Recession. The most recent survey of business and academic economists conducted by the Wall Street Journal in October places the probability of a U.S. recession at 33 percent—unchanged from July but down from 45 percent in April. Neither Moody's nor S&P Global's baseline economic forecast includes a recession through FY29. Because the baseline forecasts are the underpinnings for the consensus revenue forecast, the risk is similarly excluded from the revenue projections.

New Mexico's revenue landscape has shifted markedly from the extraordinary surge experienced in FY22 and FY23. After two years of historically high double-digit gains—driven by booming oil and gas activity, elevated inflation, strong consumer spending, and robust wage growth—revenue growth slowed significantly in FY24 and has now entered a period of contraction. Recurring revenues are estimated to decline 1.6 percent in FY26 before rebounding modestly in FY27. The current slowdown reflects a combination of weaker economic conditions, lower oil and natural gas prices, and the effects of recent federal and state tax policy changes. As a result, revenue expectations are lower than previously forecast, and capacity for broad tax reductions has diminished.

Amid this tightening budgetary environment, the Legislature's focus has shifted toward safeguarding a sustainable recurring budget. Although the rapid pace of revenue growth has waned, the extraordinary revenue performance of prior years—when collections far exceeded appropriations capacity—allowed policymakers to build historically high reserve balances and make substantial, strategically timed nonrecurring investments. These actions leave the state well positioned to manage a more challenging outlook. Large reserves, strengthened permanent and trust funds, and multi-year nonrecurring appropriations help buffer the general fund from the effects of declining corporate income taxes, slower gross receipts tax growth, and heightened volatility in oil and gas markets.

Entering the 2026 session, the priority is stability: aligning recurring expenditures with a revised and more cautious revenue trajectory while preserving the state's long-term fiscal footing. Although new money is limited—only $105.7 million in FY27, or 0.8 percent growth—New Mexico retains the ability to manage through the downturn due to prudent budgeting in recent years, disciplined recurring spending growth, and significant progress in building fiscal resiliency.

Total Revenues and Flat Spending (in millions)

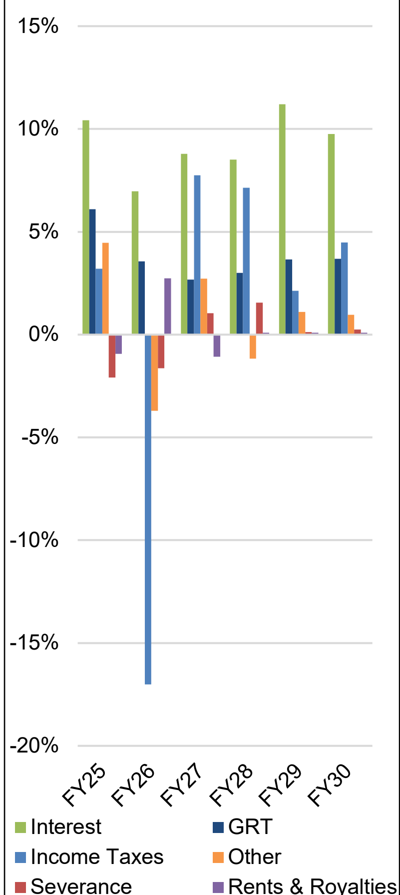


Source: 2025 Dec CREG, LFC Analysis

Fiscal Strategy and Revenue Volatility

New Mexico continues to experience historically high revenue volatility, a defining feature of the state's fiscal landscape over the past five years. Fiscal years 2022 and 2023 saw unprecedented revenue windfalls, followed by a sharp deceleration in FY24, and now an outright decline in recurring revenues in FY26. The December 2025 consensus estimate reflects this turning point: Recurring revenues fall 1.6 percent in FY26 before moderate recovery in FY27, with the fall driven by lower oil and natural gas prices, steep declines in corporate income tax collections, weaker underlying economic conditions, and the impact of federal tax changes. This shift highlights the structural instability inherent in relying on highly volatile revenue sources and reinforces the need for a long-term strategy that preserves budget flexibility.

Percent Change in Recurring General Fund Revenue
(year-over-year)



Source: August 2025 CREG

LFC Online: Understanding Government Finances

[Finance Facts: Oil and Natural Gas Revenue]

Volatility and the Role of Permanent Funds and Stabilization Mechanisms

The state's longstanding reliance on extractive industries remains at the core of its fiscal volatility. When severance taxes, federal mineral leasing royalties, and oil- and gas-dependent gross receipts and income taxes are combined, the energy sector still accounts for more than one-third of general fund revenues—despite recent diversification efforts. Although new statutory stabilization mechanisms have significantly blunted year-to-year swings—such as the early childhood trust fund, whose distributions alone reduced measured volatility by over a third—much of the state's revenue base remains sensitive to commodity price cycles and geopolitical conditions.

Recent legislative actions to redirect excess oil and gas taxes and royalty payments into permanent and trust funds have further improved long-term stability. These mechanisms performed exactly as intended during recent windfall years and the subsequent crash, shielding the general fund from falling revenues and investing windfalls into reliable earnings in the decades ahead. However, the current downshift in revenues underscores that volatility has not been eliminated—only redistributed—and that prudent management of recurring spending remains essential.

New Sources of Volatility and Their Implications

Even as traditional oil- and gas-related volatility is managed more effectively, new sources of instability have emerged. Corporate income taxes—already among the most volatile revenue sources nationally—have weakened dramatically, with FY26 estimated payments falling more steeply than in any prior downturn. Similarly, earnings on general fund balances in the State Treasurer's Office have swung widely as balances exceed $10 billion and interest rate expectations shift sharply in financial markets. While these sources comprise a smaller share of total revenues than direct oil and gas revenues, their unpredictability introduces meaningful year-to-year risk into the revenue picture and increases the chance of abrupt changes in the state's financial picture. As these new sources of volatility emerge, policymakers should choose to manage the volatility with known tools, including restraining recurring and future-year nonrecurring spending, using above-trend revenues for nonrecurring purposes, maintaining sufficient reserves, and investing in stable revenue generators.

Spending Risks in a Volatile Environment

The last several years of outsized revenue growth allowed policymakers to advance numerous capital, infrastructure, economic development, and programmatic priorities using nonrecurring appropriations. As a part of these spending commitments, the Legislature has begun to commit future year revenues for nonrecurring purposes. As revenue growth now slows and revenue estimates fall below prior projections, significant nonrecurring commitments in the current budget year are reducing fiscal flexibility and heighten the likelihood of difficult tradeoffs if revenue declines exceed expectations.

Adding to current spending risks is spending related to executive orders and other unappropriated spending by the executive branch. Executive orders and other unappropriated spending by the executive branch materially affects the state's position because these expenditures have drawn directly on the operating reserve rather than through the annual budget process. While emergency authority is necessary to address urgent needs, these actions are unanticipated in the revenue estimate, and, although incorporated into the Legislature's budgetary decisions, emergency spending under executive orders has extremely exceeded set-aside amounts. As recurring revenues decline and volatility increases, unbudgeted spending accelerates reserve depletion at the very moment reserves are most needed to cushion revenue losses.

The Legislature builds the operating reserve through deliberate decisions determining the amount of dollars deemed necessary to manage downturns and maintain liquidity for essential services. Recent executive-initiated spending has increasingly relied on this balance to finance executive order directives. Because this spending occurs outside the appropriations framework and directly spends the accounts dedicated to the state's financial security, it heightens the risk of overspending the state's accounts when revenue expectations fall. This has proven true, with the latest decline in revenues expected as the substantial draws on the operating reserve have left the state running with minimal cash and at risk of a deficit if revenue performance deteriorates further.

The combination of forward-spent nonrecurring dollars, heavy dependence on volatile industries, and unplanned executive spending reduces future flexibility and increases the likelihood that reserves could fall below levels needed to maintain fiscal stability during a sustained or sharper revenue decline.

Mid- to Long-Term Outlook: Structurally Positive but Narrowing

The state's long-term fiscal picture remains fundamentally stable but increasingly constrained. The September 2025 long-term revenue outlook projected revenues would generally keep pace with responsible budget growth, largely due to significant set-asides into permanent funds and expected growth in investment earnings. However, the December 2025 revenue revision demonstrates that earlier assumptions about oil prices, economic conditions, and corporate profitability were overly optimistic. Lower revenue growth in the near term compresses the base from which long-term spending is financed, narrowing the state's fiscal margin.

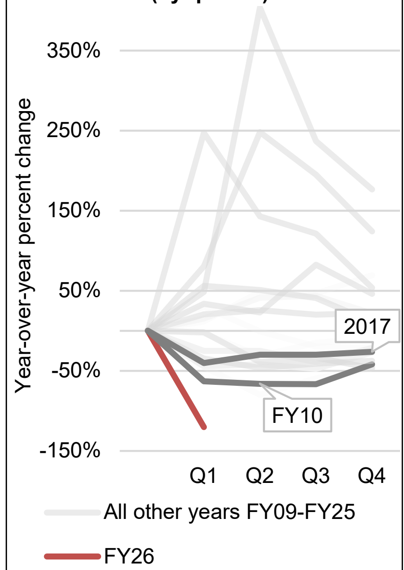
Given these tighter conditions, maintaining sustainable recurring spending growth is essential. Recurring expenditures must rise more slowly than long-term recurring revenues, particularly during years when revenues fall or grow below historical norms. This principle is now more important than at any point in the last five years.

Prefunding and Long-Horizon Options

As new money declines and revenue volatility remains high, the Legislature may consider several approaches to strengthen long-term fiscal stability:

- Prefunding priority programs during revenue spikes can reduce long-term cost pressures, especially in areas with predictable multiyear spending needs, such as information technology, facilities, behavioral health, and early childhood.
- Expanding automatic set-asides during high-price or high-production years can build larger buffers improving resilience against downturns.
- Smoothing mechanisms for nonrecurring commitments, such as phased appropriations or contingency-based releases, can align forward spending with actual revenue performance.

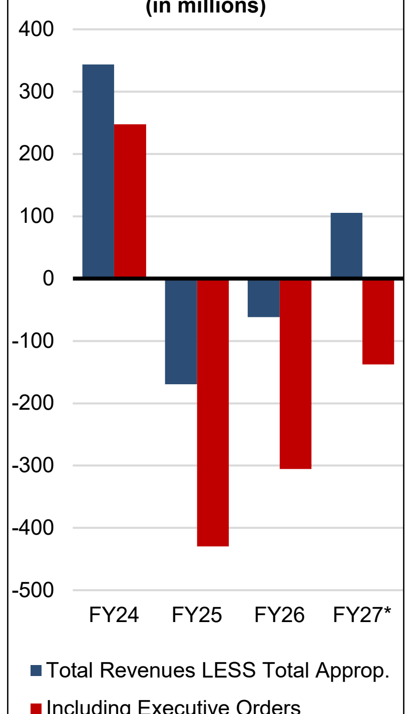
CIT Estimated Payments, Cumulative Year-over-Year Percent Change
(by quarter)



Note: dark gray lines indicate FY10 and FY17, periods that correspond with contracting economic conditions in New Mexico.

Source: LFC Files

Surplus/Deficit by Fiscal Year
(in millions)



*FY27 assumes FLAT Appropriations and executive order spending

Source: LFC Analysis

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At a Glance: 2025 Tax Package

Although vetoed, House Bill 14 sought to cut up to an estimated $125.7 million in recurring revenues in a series of tax changes, including:

- $76 million to replace and expand the working families tax credit with the earned income tax credit
- $40.9 million for a gross receipts tax deduction for healthcare practitioners
- $8.8 million for a tax credit for foster families
- $8 million in revenue from a 20 percent increase in the liquor excise tax.

LFC TAX POLICY PRINCIPLES

Adequacy: Revenue should be adequate to fund needed government services.

Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.

Equity: Different taxpayers should be treated fairly.

Simplicity: Collection should be simple and easily understood.

Accountability: Preferences should be easy to monitor and evaluate.

- Maintaining or raising reserve targets becomes more important when volatility rises and recurring revenue growth slows, as now. Stress tests suggest reserve needs may exceed 21 percent when recurring spending commitments grow or when revenues face simultaneous economic and federal policy risks.

Recent Tax Changes and Outstanding Issues

Effective tax policy should generate enough revenue to fund government operations while avoiding overburdening individuals or harming business activity with high tax rates or perverse incentives that create inefficiencies. The state has recently made large strides toward equity and efficiency, cutting taxes in both broad and targeted ways, reducing the tax burden for working New Mexicans, and incentivizing investment in key industries.

Since 2019, the Legislature has created or expanded multiple personal income tax (PIT) and corporate income tax (CIT) exemptions, credits, and rebates with the aim to increase progressivity and provide temporary and permanent relief to low- and middle-income New Mexicans. Overall, had income tax changes between 2019 and 2024 not been made, income tax revenues would have been $630.8 million higher in FY25 and $710.8 million higher in FY26.

Gross Receipts Tax

New Mexico lawmakers implemented several changes to the gross receipts tax in the last five years, many of which were included as part of broad tax packages in the 2019 session (Chapter 270, House Bill 6) and the 2022 session (Chapter 47, House Bill 163). Those efforts included base-broadening measures to bring previously untaxed goods and services into the state's tax base, sweeping rate reductions, simplification in filing for medical providers, and equity and fairness improvements in the tax code. In the last session, key changes included requiring managed care organizations to reimburse healthcare practitioners for GRT dollar-for dollar, instead of through a statewide formula that left some underpaid. Another GRT provision aimed at healthcare practitioners that deducted GRT for coinsurance payments, was vetoed in the 2025 tax package.

GRT Rates. For the first time in 40 years, the Legislature in 2022 voted to reduce the statewide gross receipts tax rate (GRT) from 5.125 percent to 4.875 percent over two years. Despite the reduction, the average gross receipts tax rate customers pay remains above 7.5 percent, around the median combined rate of neighboring states, because local governments maintain large local GRT increments and raise rates. Notably, New Mexico's state GRT rate is relatively low compared with other states, ranking as the 35th highest rate, but the combined state and local average rate is the 17th highest in the nation because the average local rate imposed is the 11th highest of all states.

Income Taxes

The most significant recent income tax policy changes include reducing the personal income tax rates and restructuring the income brackets to increase the number of brackets, adjust the rates, and change the income range within each bracket. This change is expected to reduce revenues by $159 million because all taxpayers benefit from lower marginal rates. In addition, several major tax policy changes have taken effect, including expanding the PIT exemption for social security income up to $75 thousand, enacting a child tax credit for most families with children, and expanding the working families tax credit and the low-income comprehensive tax rebate. Legislative changes since 2022 will reduce revenues by an estimated $400.8 million in FY26.

In 2024, the Legislature also flattened the corporate income tax rate to one rate at 5.9 percent, regardless of the profit of a corporation, and limited the capital gains deduction to $2,500, repealing the 40 percent deduction except in the case of a sale of a New Mexico business of up to $1 million of income. While the Legislature has completed significant income tax reform, some challenges persist. For example, the personal income tax brackets are still relatively flat, with about one-third of taxpayers paying the 4.7 percent to 4.9 percent marginal income tax rate.

Property Taxes

New Mexico's property taxes rank among the lowest in the country across many measures. Taxpayers' property tax burden, measured as the property tax share of personal income, is in the lowest 10 states in the country at 2.1 percent, compared to 2.9 percent nationwide. While property taxes are relatively low in New Mexico, taxpayers within the state pay differing rates relative to their income, a measure of the tax's progressivity.

After decades of piecemeal changes to the property tax code, New Mexico's property tax has been whittled away, creating an unbalanced revenue structure for both state and local government. The split of aggregate property values between residential and nonresidential properties has significantly changed over time, shifting the tax burden to homeowners instead of commercial properties.

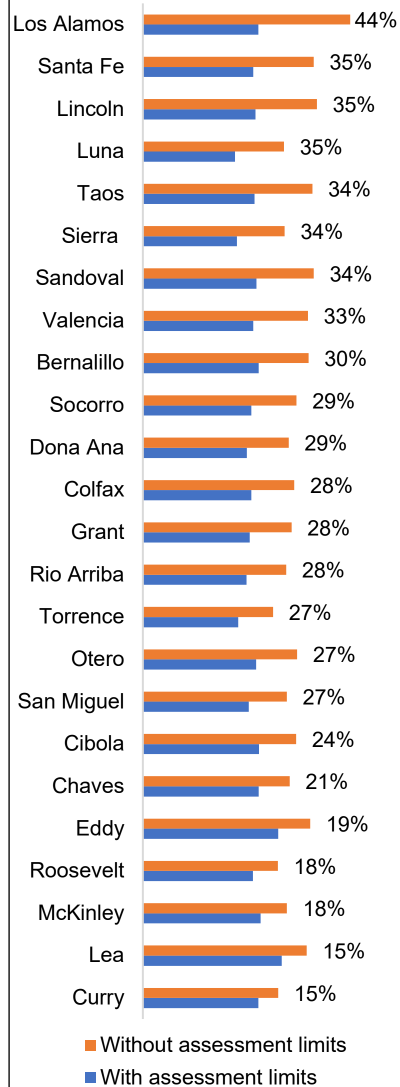
Selective tax exemptions and assessment limits have further eroded local and state revenue by removing large swaths of properties or value from the tax base. The selective tax exemptions, for elderly, disabled, and military veteran homeowners, and assessment limits that benefit longer-term homeowners are shifting the tax burden to other homeowners, often with no consideration for income, home affordability, or other measures of "ability to pay." By targeting relief measures to those New Mexican who need it and shifting the tax burden to out-of-state and second homeowners, New Mexico could provide more effective assistance to those in need without sacrificing horizontal tax equity or straining local budgets.

Property tax policy in New Mexico is difficult to fully understand and analyze because the state lacks a unified dataset that links parcel-level values, exemptions, and tax obligation across counties. Each county maintains its own system, making it nearly impossible to assess how policies like assessment limits, exemptions, or mill rates affect taxpayers statewide. The Legislative Finance Committee is working to close this gap by building New Mexico's first comprehensive parcel-level database—integrating data from all 33 counties—to provide a clear, consistent foundation for evaluating tax burden, revenue capacity, and the equity of potential reforms. LFC has received data from Bernalillo, Eddy, Los Alamos, Otero, Rio Arriba, Roosevelt, Sandoval, Santa Fe, and Union counties.

Other Tax Issues

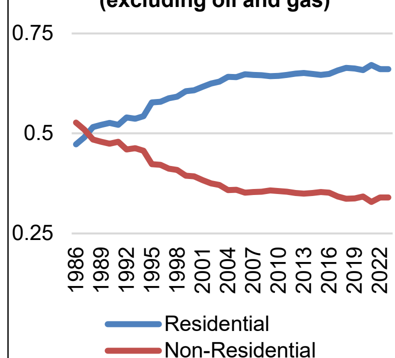
New Mexico's tax base has been narrowed over time as credits, deductions, and exemptions have accumulated, contributing to higher tax rates and inequitable

Estimated Valuation Impact of Assessment Limits of Home Purchased in 2010



Source: LFC Files

Share of Property Tax Value (excluding oil and gas)



Source: LFC Analysis of DFA Data

FY25 State Economic Development Tax Expenditures
(in thousands)

Expenditure	FY25 Amount
Sales to manufacturers GRT deduction	$269,721
Apportionment election of CIT for manufacturers	$81,229
Sales of services to manufacturers	$37,276
Film production tax credit	$33,990
LEDA GRT distributions	$10,603
Sale of software development services	$16,600
Goods and Services for DoD Expenditures	$11,161
Durable medical equipment sales deduction	$10,200
High-wage jobs tax credit	$9,215
Apportionment election of CIT for headquarters	$8,327
Laboratory Partnership Tax Credit	$6,851
Technology Jobs & R&D Tax Credit	$6,531
Aircraft sales or services deduction	$4,522
Sales to credit unions	$2,362
Technology Readiness Tax Credit	$1,955
Hosting World Wide Web Sites Deduction	$1,518
Jet Fuel Deduction	$1,101
Angel Investment	$1,052
Rural jobs tax credit	$822
Total	**$515,036**

Source: TRD

treatment of taxpayers and businesses. Piecemeal tax breaks often create inequities and distort competition, stressing the need for a comprehensive review of existing expenditures and consideration of eliminating, capping, or sunsetting provisions to broaden the tax base and avoid picking winners and losers within the tax code.

Tax expenditure growth highlights the need for stronger oversight. Spending on economic development incentives doubled in FY24 to $592 million before easing to $515 million in FY25. These incentives would be the state's third largest agency in FY25 if they had been appropriated to the general fund. Yet New Mexico remains one of the few states without regular, rigorous evaluation of its tax expenditures. More than two-thirds of states routinely review economic development incentives, while New Mexico has not conducted a full evaluation since 2012 and continues to face data and reporting gaps that limit legislative oversight.

The Legislative Finance Committee has begun preliminary economic impact assessments of key incentive programs, in coordination with executive agencies, with findings expected in 2026. Expanding these efforts to all major tax expenditures and granting legislative research access to the necessary data would provide more complete insights for policy decisions.

Federal Tax Changes

On July 3, 2025, Congress passed a budget reconciliation bill, known as H.R.1, and it was signed into law on July 4, 2025. The law makes major changes to federal personal and business income taxes, many of which directly affect New Mexico revenues.

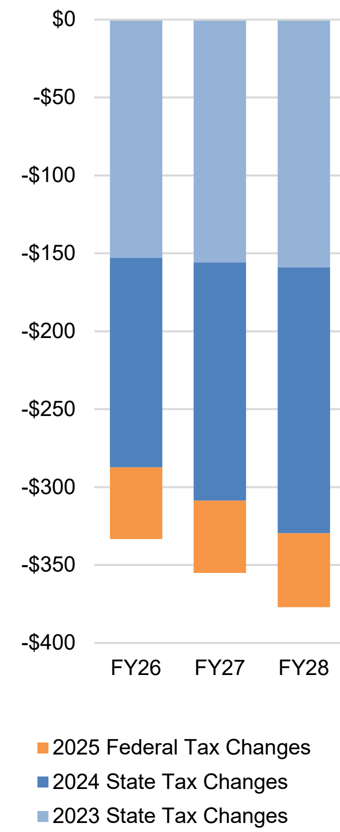
Personal Income Tax Provisions. The bill increases the federal standard deduction, to which New Mexico conforms, relative to a baseline extension of the Tax Cuts and Jobs Act, tax overhaul legislation initially adopted in 2018. The bill also creates a new deduction—up to $10 thousand—for interest paid on personal-use passenger vehicles purchased between 2025 and 2028, subject to phase-out thresholds.

The bill temporarily increases the federal state and local tax (SALT) deduction cap from $10 thousand to $40 thousand. After the Tax Cut and Jobs Act reduced the cap in 2017, New Mexico and 35 other states adopted pass-through entity (PTE) workarounds that allowed businesses to bypass the cap—lowering their federal tax burden while increasing state revenues through higher effective state tax liability. By raising the federal SALT cap, Section 20 unwinds much of this revenue gain because fewer businesses are expected to elect PTE taxation. The Consensus Revenue Estimating Group (CREG) assumes this impact will be reflected in lower corporate income tax revenues, although the impact will likely be reflected across both personal and corporate income taxes in an unknown ratio.

Business Income Tax Provisions. New Mexico largely conforms to the federal definitions of business taxable income, and the H.R.1 business tax changes are expected to materially reduce state corporate and individual income tax revenues. Collectively, these provisions are forecast to reduce general fund revenue by $139.4 million in FY26, $144.7 million in FY27, and $138.8 million in FY28. The most significant provisions are described below.

Full Expensing for Certain Business Property. The depreciation deduction allows taxpayers to recover the cost of certain business properties over their useful life through annual allowances for wear and tear, deterioration, or obsolescence. Because depreciation reduces taxable income, larger deductions lower federal—and therefore state—income tax liability. H.R.1 modifies this schedule by restoring 100 percent bonus depreciation for eligible property placed in service on or after January 19, 2025. This additional first-year deduction permits businesses to immediately expense the full cost of qualifying assets rather than depreciating them over time. The change expected reduces corporate and individual income tax revenues beginning in FY26, with the impact diminishing over time as the timing effects of accelerated depreciation taper.

Recent State and Federal Changes Estimated Impact on PIT Revenue
(in millions)

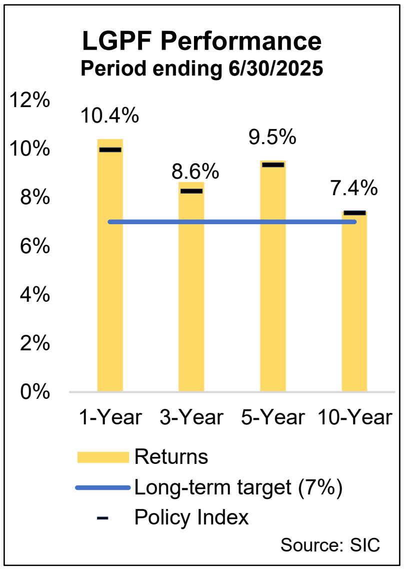


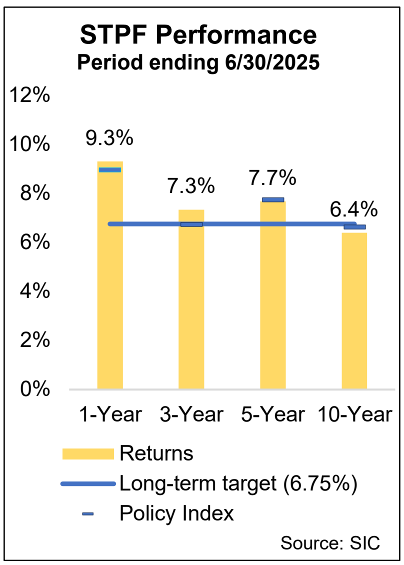
Source: December 2025 CREG

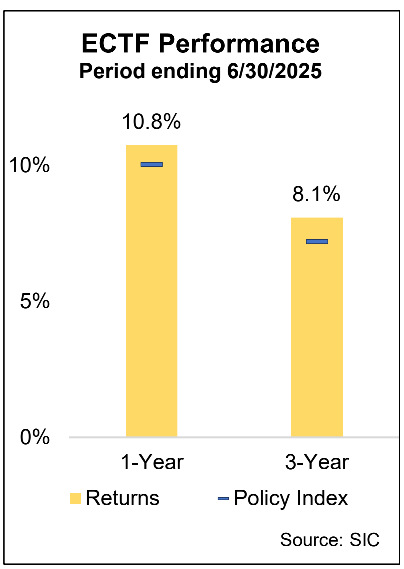
Full Expensing of Domestic Research and Experimental Expenditures. Since 2022, the Tax Cuts and Jobs Act has required businesses to capitalize and amortize domestic research and experimental (R&E) expenses over five years, and foreign R&E expenses over 15 years, instead of deducting them immediately. Amortization functions similarly to depreciation but applies to intangible assets, such as patents, trademarks, copyrights, licenses, and startup costs. H.R.1 allows businesses to immediately deduct all domestic R&E expenditures rather than amortizing them over time. This change takes effect permanently beginning in tax year 2025 and reduces federal taxable income accordingly. As a result, the expanded amortization deduction is expected to reduce corporate and individual income tax revenues from businesses beginning in FY26, with impacts declining in later years as timing effects fade.

Special Depreciation Allowance for Qualified Production Property. H.R.1 allows taxpayers to deduct 100 percent of the cost of qualified production property from taxable income for property on which construction begins after January 19, 2025, and before January 1, 2029, and that is placed in service before January 1, 2031. Qualifying property must be nonresidential real property used as an integral component of the manufacturing, production, or refining of tangible personal property in the United States. Portions of property used for functions unrelated to manufacturing or production are excluded from the allowance, and if the property's use changes within 10 years after being placed in service, the associated tax benefit may be subject to recapture. This provision is expected to reduce state business income tax revenues throughout the FY26–FY30 forecast horizon.

Modifications of Limitations on Business Interest. A business's "adjusted taxable income" is generally calculated as earnings before interest, taxes, depreciation, and amortization. Under the Tax Cuts and Jobs Act, most businesses were allowed to deduct interest expenses only up to 30 percent of adjusted taxable income, with unused interest deductions carried forward indefinitely. Beginning in 2022, however, the definition of adjusted taxable income was narrowed to earnings before interest and taxes, excluding depreciation and amortization and thereby reducing the allowable interest deduction. H.R.1 reverts to the pre-2022 definition by allowing depreciation and amortization to be included once again in adjusted taxable income. This change increases allowable interest deductions, lowers federal taxable income, and is expected to reduce New Mexico business income tax revenues beginning in FY26.







Markets were volatile in FY25 as economic headwinds began to build. Growth in the U.S. economy accelerated through the first half of the fiscal year but moderated in the second half. Markets suffered significant losses through the third and fourth quarters, but the state's risk-averse allocations mostly averted negative returns and recovered by the end of the fiscal year. Compared with peer funds, the state's large investment funds performed worse in the near-term and continued their varied performance over the long-term.

Propelled by excess oil and gas revenues and large investments by the Legislature, the combined investment holdings of the state's five largest funds have increased by $41.4 billion, or 80 percent, over the last five years. Over the year, funds increased by $10.4 billion, or 12.6 percent. Over the last five years, 38 percent of the total value increase was attributable to contributions from oil and gas revenues.

Performance Overview

The ending value of the state's primary investment holdings in FY25–comprising the two pension funds managed by the Educational Retirement Board (ERB) and the Public Employees Retirement Association (PERA), the early childhood education and care trust fund (ECTF), and the land grant permanent fund (LGPF) and severance tax permanent fund (STPF) managed by the State Investment Council (SIC)–grew by $10.4 billion, or 12.6 percent, to end the fiscal year at $93.1 billion.

Asset Values for Year Ending June 30, 2025
(in millions of dollars)

Annual	ERB	PERA	LGPF	STPF	ECECF	Total
Asset Value	$18,477.6	$18,661.8	$35,398.9	$10,948.3	$9,622.9	$93,109.6
Value Change	$1,359.0	$1,160.3	$4,197.5	$1,213.3	$2,472.3	$10,402.3
Percent Change (year-over-year)	7.9%	6.6%	13.5%	12.5%	34.6%	12.6%

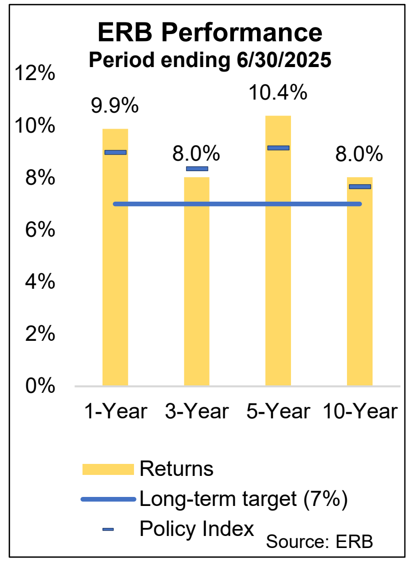
Note: Percent change includes investment returns, contributions, and distributions.

Source: Investment Agency Reports

Returns for the permanent funds are mixed. The LGPF outperformed its long-term target of 7 percent in each period. The STPF overperformed its long-term target of 6.75 percent in each period except the 10-year period. SIC recently approved a new asset allocation for the ECTF with a long-term return expectation of 6.8 percent, which was exceeded in both the one-year and three-year periods.

STPF returns are lowered by allocations to the in-state private equity program, the New Mexico Small Business Investment Corporation, and the small business recovery loan program. The impact of these allocations may be contrary to the state's expectation for the STPF to secure New Mexico's long-term fiscal health. To help address this, SIC recently changed its policy and now requires market-rate returns for its entire private equity portfolio moving forward.

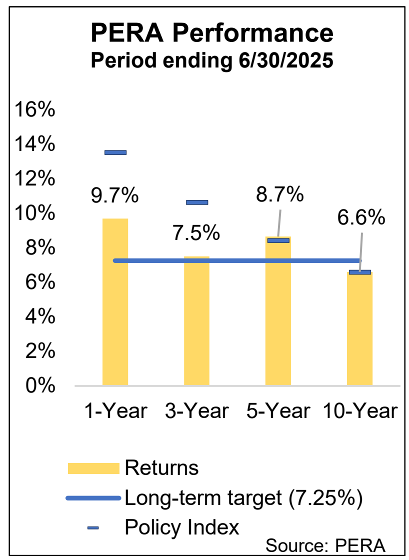
Both pension funds met their long-term targets of 7.25 percent (PERA) and 7 percent (ERB) for the one-year period. ERB exceeded targets in each period, continuing a yearslong streak as the state's top-performing large investment fund. ERB also had the best risk-to-return measures among all investment funds. PERA exceeded its long-term target in each period except for the 10-year period.

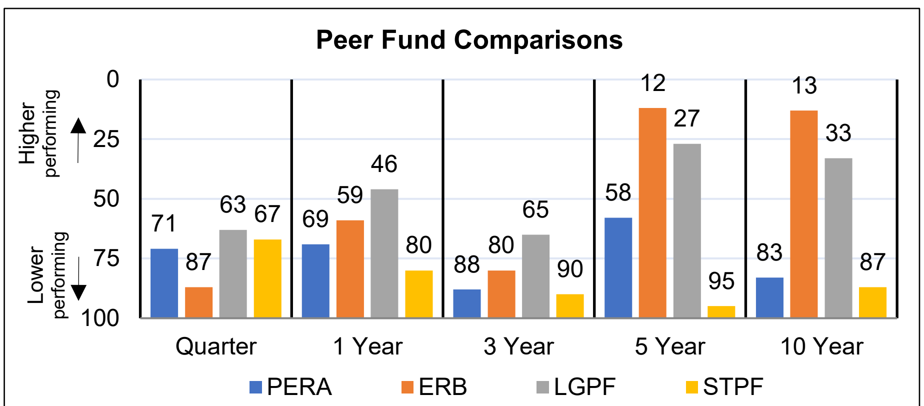


Performance Relative to Peers

When compared with peer funds greater than $1 billion on a net-of-fee basis, New Mexico's large investment funds had varied performance over the long-term, with ERB and the LFPF above the median and PERA and the STPF performing below the median. ERB and the LGPF were at or above the 25th percentile in the five- and 10-year periods. Most funds performed poorly compared with peers in the quarter, one-year, and three-year periods. The STPF performed poorly compared with peer funds and was the only fund to perform near or below the 75th percentile for each period except the quarter. The STPF performance is moderated by the allocation to New Mexico investments, which generate lower returns.

Because New Mexico investment agencies have all prioritized policies of risk mitigation, the state's investments tend to perform well relative to peers during periods of market decline. However, lower risk positions tend to perform poorly relative to peers during periods of market upswings.





Note: Data from period ending June 30, 2024, and covers public funds larger than $1 billion net-of-fees.

Source: InvMetrics

Asset Allocations

The agencies have each pursued diversification strategies to mitigate return risk in moderate or negative return markets, with the understanding that moving away from heavy stock market exposure means the funds might earn less (and lag their peers) in bull markets. Less than 40 percent of New Mexico's assets are invested in public equities, like the stock market. Three of the state's five investment funds are invested in fixed income assets at an allocation rate above 15 percent. ERB is the exception, with most assets (67.6 percent) in alternative invetments, such as real estate, real assets, and private equity.

LFC Online: Understanding Government Finances

Finance Facts: Investment Funds

Policy Analysis

Child Well-Being

After years of landmark investments in programs to support families and improve long-term outcomes for children, strategic expansion and targeted investments are critical moving forward. A high-quality, effective child well-being system reduces adverse childhood experiences, including abuse, neglect, and other traumatic events, that hinder a child's development and increase the long-term risks of substance abuse, behavioral health issues, low educational attainment, and other undesirable outcomes. Despite investments and legislating for best practices, New Mexico continues to struggle to deliver high-quality services that keep children safe and families together. To maximize the impact of recent investments across the child well-being system, policymakers must continue to focus on ensuring the delivery and quality implementation of services shown to work. Targeted investments in proven programs and implementation strategies have the potential to leverage already-invested dollars to support the children and families of New Mexico.

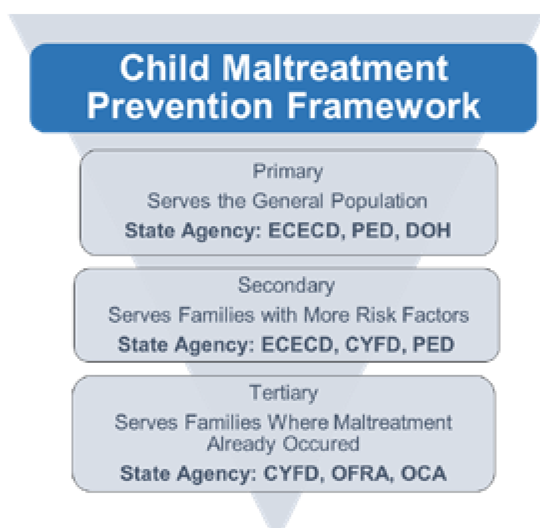
For more info:

Children, Youth and Families Department Performance Page 124

Child Safety and Family Preservation

New Mexico is consistently among the poorest performing states when it comes to repeat child maltreatment, with a rate almost twice that of the national average. High poverty rates, substance use, domestic violence, unmet mental health needs, unstable housing, and other complex family needs have all been cited by the Children, Youth and Families Department (CYFD) as obstacles to reducing maltreatment. Over the long-term, child maltreatment causes physical, psychological, and behavioral consequences leading to increased costs to the child welfare, behavioral health, and physical healthcare systems. The federal Centers for Disease Control and Prevention estimate the lifetime cost of nonfatal child maltreatment at $830 thousand per child in 2015 dollars (over $1.1 million today).

In recent years, New Mexico has made significant investments to deliver programs to support families living in poverty, including expanding Medicaid and childcare assistance, and now has one of the most generous income support packages in the country. While the state has maintained one of the highest official poverty rates nationally for the last 20 years, the supplemental poverty rate—which accounts for the impact of government programs—is below the national average. However, the persistent high official poverty rate is a sign that the state may not be successfully deploying programs to assist families in achieving independence. Additionally, LFC reports have found many families are likely not enrolled in the full array of programs for which they are eligible.



2025 Child and Family Services Review

The 1994 amendments to the Social Security Act authorize the U.S. Department of Health and Human Services to review state child and family service programs to ensure conformity with the requirements of Titles IV-B and IV-E of the Social Security Act (pertaining to federal child welfare programs and funding). The federal Children's Bureau, part of HHS, administers the periodic review system, known as the child and family services reviews (CFSR). During review, seven outcomes and seven systemic factors are evaluated.

Outcomes	Substantial Conformity?
Children are, first and foremost, protected from abuse and neglect	×
Children are safely maintained in their homes whenever possible and appropriate	×
Children have permanency and stability in their living situations	×
The continuity of family relationships and connections is preserved for families	×
Families have enhanced capacity to provide for their children's needs	×
Children receive appropriate services to meet their educational needs	×
Children receive adequate services to meet physical and mental health needs	×

Systemic Factors	Substantial Conformity?
Statewide information system	×
Case review system	×
Quality assurance system	✓
Staff and provider training	×
Service array and resource development	×
Agency responsiveness to the community	✓
Foster and adoptive parent licensing, recruitment, and retention	×

In the fourth round of the CFSR, conducted between October 2024 and March 2025, New Mexico was not found to be in substantial conformity with any of the reviewed outcomes and was found to be in substantial conformity with only two of the reviewed systemic factors. The state must submit a program improvement plan and remedy the failures to conform over the next two years to avoid penalties and losing federal funding.

Within child maltreatment prevention, primary prevention strategies target the general population while secondary and tertiary prevention strategies are targeted to families with greater risk factors, such as plans of safe care or targeted home visiting programs, and intensive family preservation and behavioral health services for families. These strategies are fundamental to improving child well-being and fall within the purview of CYFD. Yet, New Mexico experiences significant gaps in the service array of programs within the secondary and tertiary prevention levels. The state has been slow to adopt these prevention and early intervention services within the child welfare system and will need a greater sense of urgency if the state is to tackle repeat maltreatment and help families better care for children safely.

Prevention

Leading drivers of child maltreatment in New Mexico include parental substance use, poverty (which, alone, is not a basis for a finding of child maltreatment), domestic violence, parental history of trauma, and other behavioral health issues. In New Mexico, data reported to the federal Administration of Children and Families indicate the two leading risk factors are caregiver alcohol and drug use.

LFC Online: Understanding Government Finances

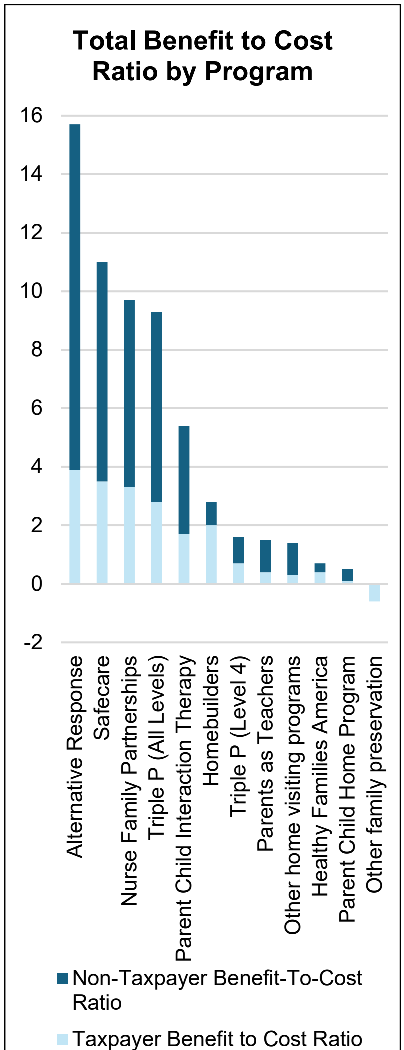
Finance Facts: Early Childhood Services

The federal government and much of the rest of the country is focused on avoiding family separation, which can result in costly and traumatic placements in the child welfare system. Federal policy and research encourage states to implement interventions to preserve families, when possible. However, research and evaluation in New Mexico has found the state is not implementing robust, evidence-based in-home services that could prevent the need for family separation.

The New Mexico Child Welfare and Safety Act, enacted in 2025, requires child welfare and health agencies in New Mexico to develop processes, plans, and rules to provide early intervention and prevent children from entering state custody. The act tasks the Health Care Authority (HCA), in consultation with CYFD and the Department of Health (DOH), with developing rules related to the care of substance-exposed newborns, including the development of plans of safe care intended to permit newborns to remain safely at home. The legislation also requires CYFD to develop a plan consistent with federal legislation to provide prevention and early intervention programs for foster-eligible children and to implement an alternative response program for children and families referred to the agency on suspicion of abuse or neglect.

Comprehensive Addiction and Recovery Act. A 2023 LFC evaluation found that the state's Comprehensive Addiction and Recovery Act (CARA) law was not meeting its intended purpose of keeping substance-exposed newborns safe. In 2019, following the 2016 amendment of the federal CARA law, New Mexico passed legislation requiring staff in hospitals and birthing centers to develop plans of care for substance-exposed newborns referring families to voluntary support and treatment services. The state's CARA law took a public health approach, treating drug and alcohol use during pregnancy as a disorder requiring services rather than as a reason for reporting suspected child maltreatment to CYFD, and the agency's removal of infants from families fell below the national rate after passage of the 2019 law. However, the evaluation found families were not being directed to treatment—two out of three families with plans of safe care were not directed to or accepting substance use treatment services.

Following the LFC report recommendation, the 2025 legislation moved CARA oversight to HCA and tasked the agency with promulgating rules for effective implementation of plans of safe care. The legislation retained the public health approach adopted in 2019 and substance-use alone is not grounds for an abuse or neglect referral to CYFD. However, in July 2025, the administration issued a directive requiring providers to make a referral to CYFD in all substance-exposed newborn cases involving certain substances and requiring CYFD to take custody of the child. The directive has increased the number of newborns taken into custody, but other effects are unclear, including increased participation in substance-use treatment services or intensive in-home family services and improved child safety.



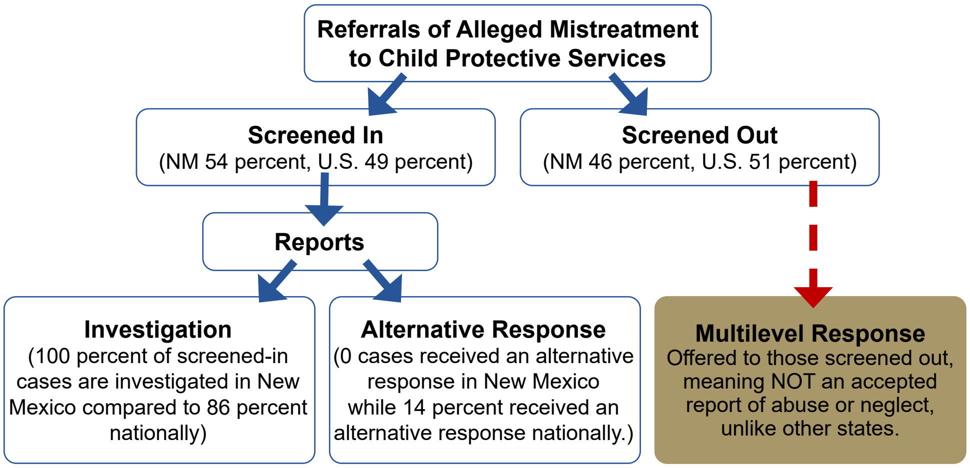
Source: LFC Files

Family FIrst Prevention Services Act Plan. The federal Family First Prevention Services Act (FFPSA), enacted in 2018, authorized new uses of federal Title IV-E (foster care) funding for certain eligible prevention programs in cases when children can remain safely at home with appropriate services and avoid foster care. To receive federal Title IV-E prevention funding, the state must have an approved plan and implement programs identified by the federal Administration of Children and Families (ACF) as proven to reduce child maltreatment, such as Healthy Families America, Home Builders, and SafeCare.

After many years and several failed attempts, in September 2025, CYFD received federal approval of the agency's FFPSA plan. The approved plan includes two programs eligible for federal reimbursement: motivational interviewing, a form of counseling that aims to promote behavior change, and SafeCare, an intensive evidence-based home visiting program designed to improve child safety. The plan continues to rely on a program, Family Connections, that is ineligible for reimbursement for most in-home services, although CYFD intends to combine the program with motivational interviewing—which has a high return on investment of about $25 for every dollar spent—to facilitate some reimbursement. However, the Family Connections program may be too "light-touch" for the intended population, and greater provision of more intensive in-home services, such as SafeCare or Home Builders, may yield better outcomes for children and families.

Alternative Response. LFC analysis suggests alternative response may have a return on investment of roughly $12 to $16 for every $1 invested and, if implemented

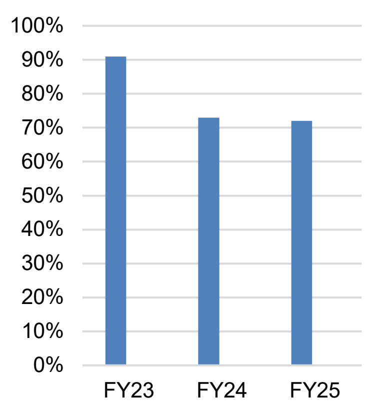
Use of Alternative Response



with fidelity, can result in improved child safety and reduced instances of repeat maltreatment. In 2019, New Mexico enacted legislation to create an alternative response model, referred to in the state as multilevel response. In an alternative response model, reports of maltreatment that would typically be screened in for investigation under a traditional response system are split into two tracks: investigation or family assessment. In lower risk cases, protective services workers conduct an assessment of a family's needs, connect the family to resources or in-home services if appropriate, and continue to monitor the family directly. The model provides an opportunity for early intervention and family preservation rather than investigation and, potentially, removal of a child from the home. It also can potentially reduce Protective Services caseloads.

However, several LFC reports have flagged concerns CYFD has not implemented its multilevel response program with fidelity to the evidence-based model or as outlined in state statute. Instead, CYFD has been implementing a model that focuses on referring cases that are not accepted as reports of abuse or neglect, or screened out, to community services.

Youth Age 12 or Older in Custody Placed in a Community-Based Setting



Note: Reported differently prior to FY23

Source: CYFD

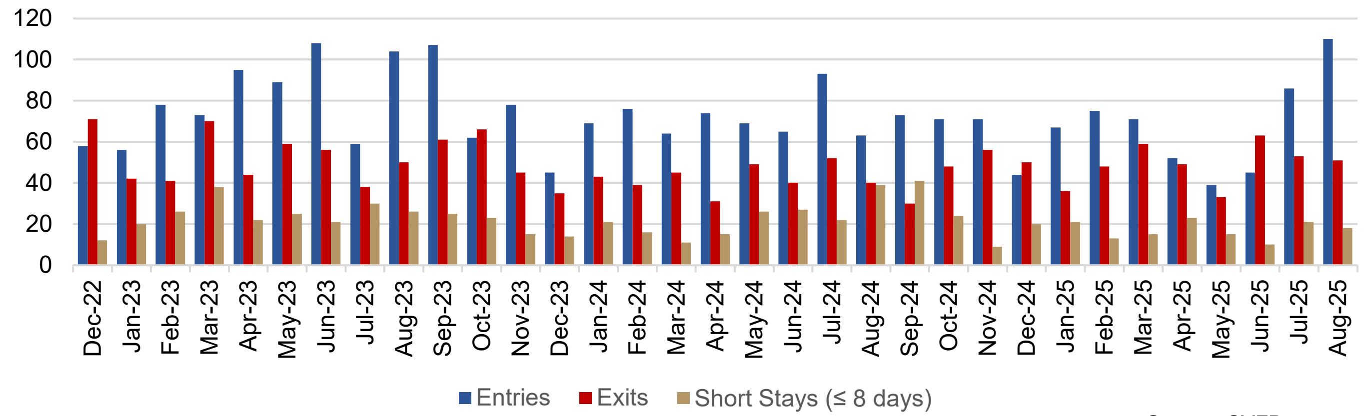
In 2024, the Legislature appropriated $4.2 over three years through the governmental results and opportunity (GRO) fund to pilot and evaluate implementation of alternative response in accordance with statute. In FY25, CYFD reverted 99 percent of the $1.4 million appropriated. CYFD is now receiving technical assistance from Casey Family Programs to deliver the approach to low- to medium-risk cases, as research recommends. The agency plans to pilot the new program in San Juan and McKinley counties in FY26.

Community-Based Placements

Foster care is intended to be a temporary, court-monitored intervention to promote the safety, permanency, and well-being of children in cases when children cannot remain safely at home. However, New Mexico has had increasing numbers of children in foster care over the last several years, has experienced persistently high rates of short stays (eight days or fewer), and has struggled to achieve community-based placements and permanency for children in care. The number of children in foster care in New Mexico steadily declined between 2017 and 2022, and the rate of children in foster care in New Mexico has trended lower than other states. However, the declining number of children in care reversed in 2023, and the number has continued to grow. In August 2025, 2,139 children were in foster care.

Potential Over-Removal. New Mexico experiences a high rate of short stays in foster care, often fewer than eight days, suggesting more children may be able to stay in their homes with appropriate services and monitoring. A 2022 LFC program

Foster Care Entries, Exits, and Short Stays



Source: CYFD

evaluation discussed the potential negative impacts of short stays, including harm to the child removed and the family and increased cost and administrative burden for the state. In federal fiscal year 2023, 394 (29.6 percent) of CYFD-reported removals were short stays, foster care placements of less than 30 days. Between August 2024 and August 2025, almost a quarter of foster care entries were short stays of eight days or less. Short-stay rates are important to monitor because children may experience a traumatic removal that could have been prevented and because short stays are costly to the state and contribute to a shortage of foster care placements.

LFC Online: Understanding Government Finances

Finance Facts: Childcare Assistance and Licensing

Congregate Care Concerns. Although New Mexico has historically relied on congregate, or group, care less than many other states, CYFD has recently increased its reliance on such facilities. While many states historically relied on congregate care settings for youth in foster care, research, federal guidance, and clinical recommendations now suggest congregate care placements should be reserved for short-term treatment of acute mental health needs to enable stability in subsequent community settings. Research suggests prolonged exposure to congregate care settings can place foster care youth at greater risk for homelessness, incarceration, substance use, and other negative life outcomes. According to Casey Family Programs, group and institutional settings for youth in foster care cost up to 10 times more than placement in a family setting and can prevent or delay a permanent placement.

Despite repeated reservations expressed by LFC, CYFD opened two congregate care facilities in Albuquerque during FY25. Concerningly, the agency opened the facilities using funding intended for the start-up costs of evidence-based behavioral health services eligible for federal funding. Congregate care is proven to be harmful to mental health and is ineligible for federal funding.

In addition, the *Kevin S. et al. v. Blalock*, et al. case filed in 2018 against CYFD and the Human Services Department (now the Health Care Authority) alleged trauma-impacted youth in New Mexico foster care lacked safe, appropriate, and stable placements and behavioral health services. The settlement agreement committed New Mexico to efforts to build out and expand community-based family placements for youth in care; increase the number of resource (foster) families in the state; increase the use of treatment foster care, an evidence-based practice; and reduce

Adverse Childhood Experiences

In late 2024, the *Kevin S.* plaintiffs moved to arbitration seeking enforcement of the terms of the 2020 settlement agreement. The arbiter in the case has since issued two remedial orders requiring CYFD to take specific steps to comply with the terms of the settlement.

In the first remedial order, issued January 21, 2025, the arbiter ordered CYFD to:

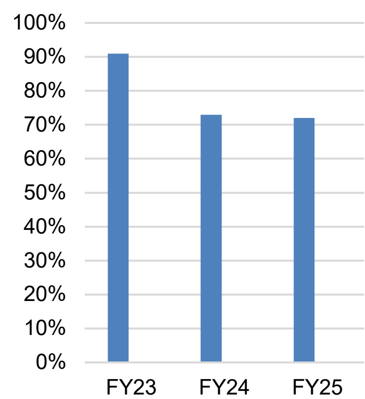
- Add personnel to handle on-call, emergency, and overnight work;
- Increase new employee training capacity;
- Detail expenditure of a $3 million appropriation made in 2023 for the agency to implement a workforce development plan in response to the settlement;
- Dedicate staff in high needs counties to focus exclusively on resource (foster) home placement recruitment;
- Report on the number of well-child visits completed within 30 days of a child entering state custody; and
- Request sufficient budget to support the staffing and data-reporting requirements of the settlement.

In the second remedial order, issued August 18, 2025, the arbiter ordered CYFD to:

- Implement caseworker caseload standards in the agency's workforce development plan and ensure no supervisors carry cases;
- Approve and license 265 new nonrelative resource homes and 244 new treatment foster care placements by the end of 2025;
- Ensure 100 percent of children receive well-child visits within 30 days of entering state custody;
- Provide prompt information to the settlement co-neutrals regarding fatalities and critical incidents; and
- Provide a safety plan for any child who experiences a critical incident while placed in a hotel, motel, office, out-of-state, in shelters, or in other congregate care.

the use of congregate care placements, unless medically necessary. After the state failed to satisfy the terms of the settlement for several years, plaintiffs moved to arbitration for enforcement and the arbiter issued two remedial orders in 2025. To ensure CYFD has adequate resources to satisfy the terms of the settlement and the requirements of the arbiter's remedial orders, the Legislature appropriated over $20 million in targeted funding during the 2025 legislative session.

Foster Home Trends. Despite the requirements of the *Kevin S.* settlement and targeted funding from the Legislature, over the last two years, the number of licensed resource (foster) homes in New Mexico remained relatively flat. From August 2024 to August 2025, the number of new and discontinued resource homes have been roughly equal, indicating significant churn.



Note: Reported differently prior to FY23

Source: CYFD

Over the last year, New Mexico has continued to have children placed in non-community-based settings, including congregate care facilities, shelters, and CYFD offices. In 2024, the Legislature appropriated $3.75 million through the GRO fund for recruitment, training, and support of treatment foster care and foster care providers to support hard-to-place children. Although CYFD reports efforts to recruit foster care providers and has devoted several positions within Protective Services to the recruitment and retention of resource families, these efforts have not translated to significantly more resource home providers. Additionally, only 5 percent of the first year GRO appropriation was spent. Beginning in FY26, CYFD started rolling out Foster Care Plus, a model developed in Oklahoma to train and support foster families. However, as of August 2025, the program was serving under 30 children and the components of the program were not fully implemented, including training for caseworkers and resource families.

Workforce and Capacity

A stable, professional workforce is essential for a successful child welfare system. Yet New Mexico, like many other states, faces significant child welfare workforce challenges, including insufficient numbers of licensed social workers and high caseworker turnover, resulting in high caseloads and, potentially, missed opportunities to prevent child maltreatment or quickly reach permanency decisions for children in state care. According to the Annie E. Casey Foundation, while recruitment and retention in child welfare is a decades-long issue, workforce challenges became more urgent following the Covid-19 pandemic.

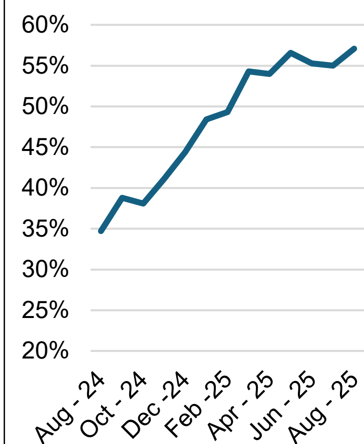
The National Child Welfare Workforce Institute reports the components of a healthy child welfare workforce include manageable workloads, competitive salaries and benefits, positive organizational cultures, access to education and professional development opportunities, effective leadership, strong community partnerships, and inclusivity.

According to the Child Welfare League of America, social work degrees are the most appropriate degrees for the child welfare field of practice and are linked with better outcomes for children and families and retention of child welfare staff. However, New Mexico faces significant shortages in licensed social workers statewide. This shortage impacts the state's child welfare agency. CYFD has not focused Protective Services recruitment on licensed social workers and has reduced education requirements for Protective Services caseworkers over time, citing social worker shortages. Current caseworker job postings require a bachelor's degree in social work, education, counseling psychology, sociology, criminal justice or family studies, and any combination of education and experience may be substituted for the required education and experience. For example, a high school diploma and four years of experience qualify individuals for a caseworker position.

Over the past several years, the Legislature has appropriated over $100 million to colleges and universities for endowments for social work faculty and financial aid to address social worker shortages, and the Legislature in 2024 appropriated $1.7 million to CYFD through the GRO fund for a three-year pilot to incentivize attainment of masters-level licensure to develop and retain Protective Services caseworkers. However, a 2025 LFC evaluation found that institutions have struggled to fully deploy endowment funding to hire additional faculty and expand programs. While endowment appropriations were sufficient to fund 39 social work faculty in FY25, colleges and universities supported only 13 faculty.

Despite increasingly significant investments from the Legislature in personnel funding for caseworkers, CYFD experiences high rates of turnover—over 50 percent for key field positions from March 2025 through August 2025—that impede net progress in building a child welfare workforce. The Annie E. Casey Foundation reports high turnover directly impacts children and families served by child welfare agencies and is associated with longer placements in foster care. Annual turnover rates at or below 12 percent are considered optimal in healthcare and human services. Between March 2025 and August 2025, the turnover rate for key protective services field positions was over 50 percent and rising.

Turnover Rate for Key Protective Services Field Positions



Note: Key positions include investigations, permanency, and placement workers

Source: CYFD

Juvenile Justice

In 2006, CYFD entered into an agreement with the American Civil Liberties Union and implemented numerous reforms to juvenile justice, including adoption of alternatives to detention and Cambiar for secure facilities, which replaced a punitive model with a rehabilitative model. New Mexico has over 16 years of experience implementing a series of evidence-based reforms within juvenile justice, including using data to diagnose and understand system trends, relying on objective admission criteria and risk-assessment tools to guide detention admission decisions, and using community-based alternatives to confinement for lower-risk cases.

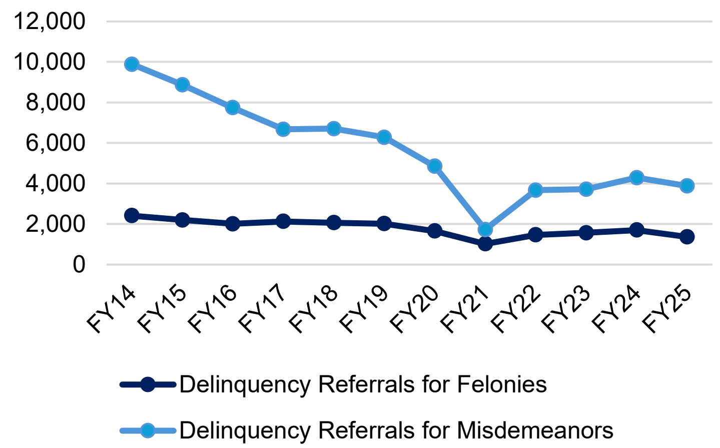
Following these reforms, New Mexico experienced a significant decline in the juvenile justice secure population and improvements in recidivism, particularly among the juvenile justice population served in the field. During the pandemic,

EVALUATE: Juvenile Justice

Based on research, New Mexico reformed its juvenile justice system in the 2000s to divert low risk youth away from the juvenile justice system and make secure facilities for sentenced youth more rehabilitative. After these reforms, reports of juvenile crime steadily decreased for almost two decades, reached a low point in FY21 during the pandemic, and recently increased since the pandemic. Despite recent increases, reports of juvenile crime remain over 30 percent below prepandemic levels. Previous LFC reports have consistently recommended redirecting cost savings from decreased juvenile populations in secure facilities to build up "front end" services focused on delinquency prevention and treatment.

A **2025 LFC report on juvenile justice** finds a majority of youth reported for lower level offenses are diverted away from the juvenile justice system, but community behavioral health and treatment services are lacking, and many youth are referred back to the system. State law requires CYFD to use a validated risk assessment to see if a juvenile needs to be detained in a county juvenile detention center before legal proceedings. However, CYFD staff can choose to override this risk assessment and detain low-risk youth, but this sometimes leaves less capacity at county juvenile detention centers to detain high-risk youth. Recent increases in juvenile populations since the pandemic have placed capacity pressures on juvenile justice facilities because of limited staff rather than a lack of physical beds or building space. CYFD has at least $1.9 million in its current juvenile justice budget that could help staff up its secure facilities.

Delinquency Referrals to the Juvenile Justice System by Highest Criminal Charge
FY14 through FY25



Note: FY25 data does not include the last three months due to data availability.

Source: LFC analysis of CYFD data

referrals for juvenile crime reached an all-time low, but they began to tick up in FY22. Between FY22 and FY24, referrals to the juvenile justice system increased by 62 percent, although they remained well below prepandemic levels. In FY24, a total of 7,622 juveniles were referred to the system, well below the 8,230 juveniles referred in FY19. Notably, the increase in referrals has been largely driven by misdemeanor referrals rather than felony referrals. Once referred, the case may either be handled informally (roughly 70 percent of cases in FY23) or formally through the filing of a petition in court (roughly 26 percent of cases in FY23). In FY24, the five most common offenses for delinquent referrals were battery, battery against a household member, possession of cannabis products, public fighting, and resisting or evading an officer.

In addition, following over 15 years of a downward trend, the population in CYFD's secure juvenile justice facilities increased beginning in FY24. As of the beginning of FY26, CYFD reports average daily census in the state's secure facilities of about 120 young people, following a low of 80 in FY23. While census in secure facilities has increased, the secure population remains below the overall bed capacity of the state's two operational secure facilities.

Early Childhood Care and Education

Early Childhood Funding

Funding for the New Mexico early care and education system increased almost six-fold between FY12 and FY26, from $136 million to $990 million, and this does not include federal Head Start and Early Head Start funding, $78 million in FY26. A significant portion of early childhood spending comes from the state general fund. In addition, the early childhood care and education fund (often called simply the early childhood trust fund), created in 2020 with $300 million, has grown to

$10 billion through the automatic deposit of excess federal mineral leasing and state oil and gas school tax revenue and investment gains, and distributed almost $500 million to the department in FY26. Further, a voter-approved amendment to the state's constitution in 2022 will increase the distribution from the land grant permanent fund to potentially provide $202 million in revenue to early childhood programs in FY27.

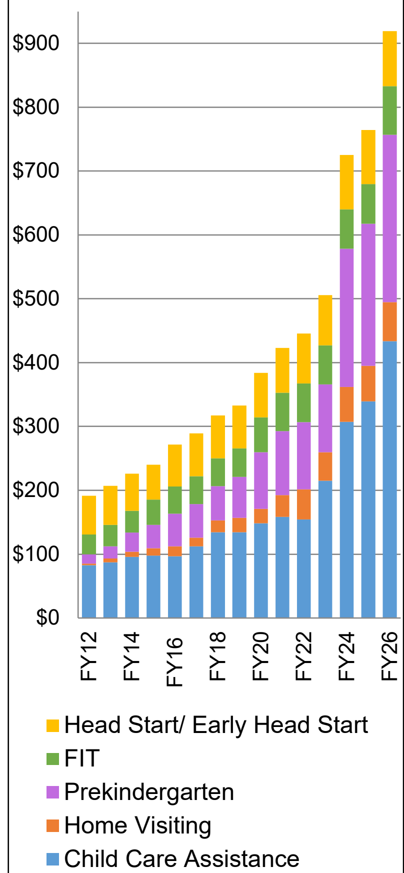
Childcare Assistance Spending and Capacity

Childcare Assistance, a program that subsidizes childcare by directly paying providers all or part of the costs for each qualifying child, receives the largest share of early childhood funding, although it has not been shown to improve long-term education outcomes for children. New Mexico has steadily increased reimbursement rates for providers, increasing cost per child significantly since 2019 from $7,000 to an average of over $11.5 thousand per child annually in 2025.

ECECD announced the removal of income eligibility in fall 2025. Previously, income eligibility was 400 percent of the federal poverty level (FPL), or $128.6 thousand for a family of four. ECECD's proposal removing income eligibility requirements means families with the highest incomes in the state are eligible for free childcare for children between the ages of 6 weeks and 13 years. The department has also continued the removal of cost sharing co-payments, which national U.S. Department of Health and Human Services recommends to be 7 percent of the family income.

A recent LFC ***Early Childhood Accountability Report*** flagged concerns about service capacity. From 2019 through 2023 overall capacity declined by 3 percent. Additionally, although the program is serving more families, fewer low-income families under 100 percent FPL are being served.

Recurring Early Childhood Funding History FY12-FY26
(in millions)



Note: Federal direct funding not included in ECECD

Source: LFC Files

Workforce Participation. LFC analysis has not shown expanded eligibility in childcare assistance resulted in increased workforce participation in New Mexico, though research both in the United States and internationally, shows that childcare assistance can increase labor force participation. As childcare assistance income eligibility increased from 2018 (200 percent of FPL) to 2022 (400 percent of FPL) in New Mexico, labor force participation did not increase. Specifically, labor force participation went from 57.8 percent to 56.4 percent. The decrease in labor force participation is likely due in part to the impacts of Covid-19 pandemic. Similarly, labor force participation rates in Mississippi, which uses 85 percent of the state median income to approximate eligibility did not increase either as childcare assistance income eligibility increased. While increasing eligibility limits in New Mexico to 400 percent of the federal poverty level likely did not impact the labor force participation rates–as these families were likely already participating in the labor force–families may have benefited in other ways.

2025 Federal Poverty Levels

Household Size	100%	200%	300%	400%	500%	600%	700%
1	$15,650	$31,300	$46,950	$62,600	$156,500	$281,700	$438,200
2	$21,150	$42,300	$63,450	$84,600	$211,500	$380,700	$592,200
3	$26,650	$53,300	$79,950	$106,600	$266,500	$479,700	$746,200
4	$32,150	$64,300	$96,450	$128,600	$321,500	$578,700	$900,200
5	$37,650	$75,300	$112,950	$150,600	$376,500	$677,700	$1,054,200
6	$43,150	$86,300	$129,450	$172,600	$431,500	$776,700	$1,208,200

Source: LFC Files

For more info:

[Early Childhood Education and Care Department Performance Page 120]

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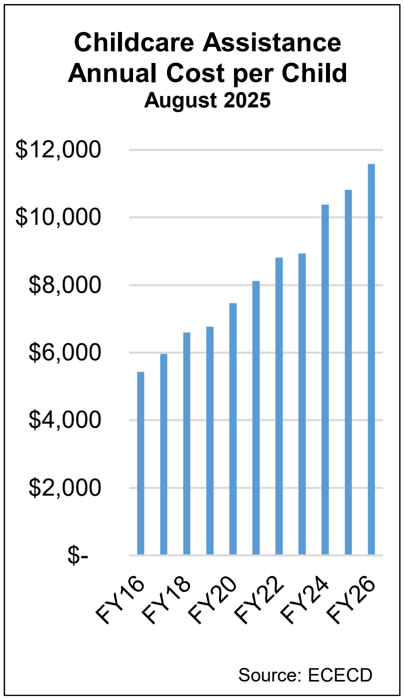
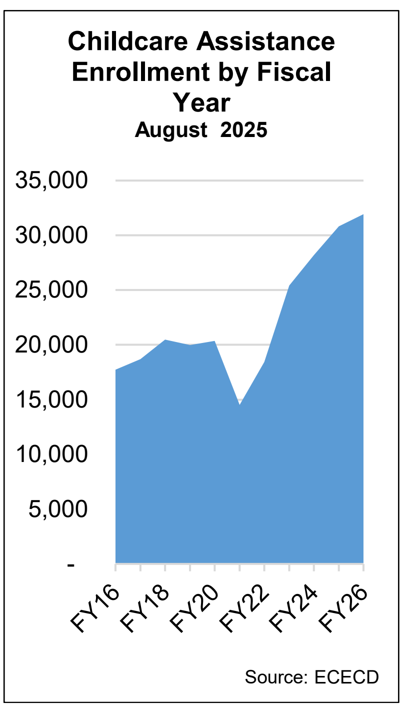




2025 Childcare Assistance Proposed Regulatory Changes

ECECD implemented three major regulatory changes for childcare beginning November 1, 2025. The changes include increasing reimbursement rates, including adjustments to the PreK wraparound (before- and after-school care) rate and expanding enhanced rates to include school-age care. The rule lowers the required hourly wage for programs opting in to the enhanced rate and applies that requirement only to education and care staff. It also allows state financial assistance for eligible children regardless of citizenship status and recognizes Montessori accreditation, as well as Early Head Start and Head Start programs, for the highest reimbursement levels. Additional revisions clarify the process for obtaining a tribal government license, amend Professional Development Information System requirements, outline coordination with early intervention specialists, remove the approval requirement for family handbooks and program policies, and maintain current majority-age group sizes and ratios.

New Mexico continues to have higher maximum reimbursement rates than the majority of states. A 2019 LFC evaluation found New Mexico was paying more for higher quality care than the federally recommended 75 percent of the market rate and had rates higher than 80 percent of states. At the close of FY25, the average annual cost per child rose to $10,813, or 4 percent above the previous fiscal year, resulting in an estimated cost of approximately $10.8 million annually for every additional 1,000 children enrolled.

Childcare Assistance enrollment has greatly surpassed prepandemic levels, reaching over 30 thousand children at the end of the fiscal year. ECECD projects the Childcare Assistance program will continue to grow given expanded eligibility. Prepandemic levels ranged closer to 21 thousand.

ECECD has requested a significant funding increase in FY27 to remove income eligibility and continued increased costs per child. The department requested an additional $120 million to expand childcare assistance to an additional 7,000 children. However, it is unclear whether the funding would expand childcare capacity or shift existing capacity from private pay to state revenues.

Home Visiting

Certain home visiting programs, comprehensive parent education programs, have demonstrated effectiveness in reducing child abuse and enhancing the well-being of both children and parents. However, ECECD's home visiting contracts to support over 5,000 families represent only a fraction of the families with young children in New Mexico. The state sees over 20 thousand births each year, and this program caters to families with children up to 3 years old. According to 2023 birth data from the Department of Health, New Mexico has approximately 86.5 thousand children under the age of 3, and as reported by the Health Care Authority (HCA), over 72 percent of infants in the state are born to Medicaid recipients. This underscores the significant potential for utilizing Medicaid funding to expand the program's reach.

Medicaid-Matched Funding for Home Visiting. Maximizing Medicaid revenues would enable the state to expand access to home-visiting services for numerous families within the current budget. However, efforts to maximize federal Medicaid revenues, and thereby broaden service availability, have lagged.

A recent evaluation by LFC revealed Medicaid-funded home visiting remains underutilized despite an increase in revenue sources, which could serve as matching state funds to bolster federal Medicaid support. Notably, not only has funding for Medicaid-funded home visiting fallen behind, but the evaluation also found overall enrollment lagged increased appropriations. However, in FY27, the department made significant progress to enroll over 2,000 families.

Since the evaluation, the department has made some changes in policy to encourage enrollment. For example, ECECD expanded the number of evidence-based models eligible for Medicaid-matched reimbursement. HCA, formerly the Human Services Department, implemented this recommendation with the state's new Medicaid plan, Turquoise Care. Turquoise Care increased the number of eligible models from two to six. Previously, only Nurse-Family Partnership and Parents as Teachers home visiting models were eligible for Medicaid matching revenues. Eligible models now also include Child First, Healthy Families America, Family Connects, and SafeCare Augmented. Additional models allow local communities and providers to deliver curriculums that meet their community needs. Additionally, HCA also sought federal approval to provide enhanced referral support through a closed loop system following LFC LegisStat recommendations regarding a weak referral system.

Expected Reduction in Child Maltreatment by Medicaid Eligible Program
(in order of largest reduction in child maltreatment, then health)

Model	% Reduction Maltreatment Risk	% Improvement maternal or child health
Nurse Family Partnership	5-8%	1%-8%
Healthy Families America	1-3%	1%-4%
Child First	Unknown	10%-12%
Safe Care Augmented	1-3%	-1% to 2%
Parents as Teachers	Unknown	3%
Family Connects	Unknown	Positive impact but unknown % change

Source: LFC Files

The more than 70 percent of births covered by Medicaid represent a large population of families who are also possibly eligible for Home Visiting services. Prior to FY20, Home Visiting services were primarily funded from the state general fund and $5.2 million in designated federal revenues. Expansion of Medicaid-funded Home Visiting could allow the state to match a good portion of the $28.5 million in state general fund revenues currently appropriated for Home Visiting with federal revenues. On average, every $1 from the state general fund can be matched with an additional $3.45 in federal Medicaid revenue.

Home Visiting Quality and Outcomes. Home Visiting stands as a key preventive investment the Legislature has prioritized to improve long-term outcomes for children and families. However, the challenges of implementing, recruiting, and retaining high-quality home visiting programs are significant hurdles that ECECD

EVALUATE: NM PreK Outcomes and Quality

A **2025 LFC progress report analyzed the quality and effectiveness of New Mexico's prekindergarten program**, updating and extending the findings of a prior 2020 program evaluation on this topic. The report found that even in the wake of the Covid-19 pandemic and rapid program expansion, children who attend prekindergarten still score higher on various measures of academic outcomes in kindergarten than those who do not. Consistent with other state and national studies, New Mexico students who qualify for free and reduced lunch see the biggest and most long-lasting benefits from prekindergarten—suggesting the state's substantial investments in early childhood education are paying off, especially for students who need the most support.

Initial analysis linking classroom quality measures to student outcomes suggests quality matters in prekindergarten. But despite efforts to standardize operations across New Mexico's prekindergarten classrooms, significant disparities between provider types flagged in the 2020 evaluation remain in student performance, teacher preparation, and instructional quality. Additionally, the program has not made meaningful progress toward crucial recommendations from the 2020 evaluation regarding the tracking and sharing of student assessment data. Prekindergarten programs still lack the ability to communicate information about incoming students with kindergarten providers. Foundational to all these data-related recommendations, the state still lacks a statutory definition of kindergarten readiness, which could guide both ECECD's choice of assessments and the data the agency tracks. Overall, the progress report urged a renewed commitment to setting consistent statewide goals around kindergarten readiness, investing in the right tools to assess progress toward those goals, and creating effective data infrastructure to make that information widely available and useful.

Home Visiting is an intensive parent education program shown to effectively reduce child abuse and improve health. This voluntary program provides family support and basic parenting skills critical to improving childhood outcomes during pregnancy and through the first few years of a child's life.

Prekindergarten is an educational program for 3- and 4-year-olds shown to significantly improve math and reading proficiency for low-income participants.

Childcare Assistance is a subsidy program for families with children between the ages of 3 weeks and 13 years whose families make less than 400 percent of the federal poverty level (FPL), or $120 thousand for a family of four.

Family, Infant, Toddler (FIT) is a statewide comprehensive system of early intervention services for children from birth to age 3 diagnosed with developmental delays, disabilities, and serious medical conditions.

Head Start is a federal program supporting the comprehensive development of children from birth to age 5 through early childhood education, child health screening and intervention, and parental supports. The program directly funds providers, bypassing state control.

must tackle to realize the expected improvements in outcomes. While Home Visiting promises positive returns on investment, these returns on investment are contingent on the implementation of the chosen program, and families successfully completing the service. The potential returns on investment for Home Visiting programs through reduced costs for child maltreatment and other benefits can range from $1 to $11 for every dollar spent, contingent on the specific program employed and the population being served.

In 2021, LFC staff conducted cost-benefit analyses on Home Visiting programs that were either currently funded or eligible for state funding, assuming these programs were executed as intended. The variability in returns are primarily driven by program costs and the extent of their impact on children and families. Notably, Nurse-Family Partnership (NFP) exhibits one of the most substantial potential returns on investment driven by reducing risk of maltreatment and improving maternal and child health. However, it is presently only offered by two providers and previously accounted for less than 10 percent of all contracted slots statewide.

Prekindergarten and Early Prekindergarten

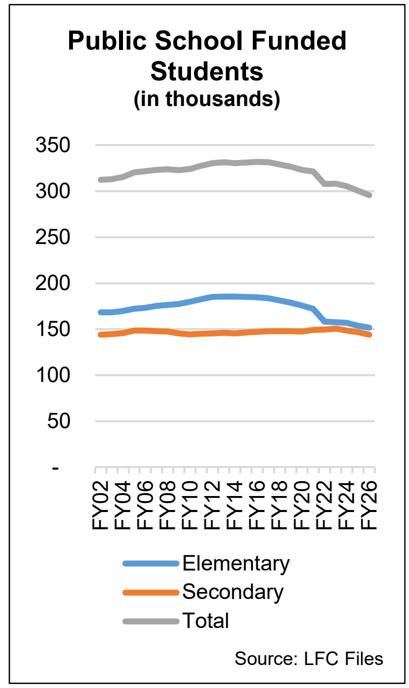
New Mexico PreK, an early education program for 3- and 4-year-olds, currently serves over 17 thousand children. Despite certain obstacles to expansion, New Mexico has made substantial strides in ensuring sufficient funding is in place to guarantee all 4-year-olds have access to some form of early education through New Mexico PreK, Childcare Assistance, or the federal Head Start program. In fact, New Mexico ranks fifth in spending on prekindergarten, 6th for providing access to 3-year-olds, and 12th in access for 4-year-olds, according to the National Institute for Early Education Research (NIEER). As of FY26, the state appropriated over $262 million on prekindergarten and early prekindergarten statewide.

National bodies of research and LFC evaluations have consistently found participation in prekindergarten is positively correlated with improved social and academic outcomes for participants, including higher high school graduation rates. The 2025 LFC evaluation Prekindergarten Quality and Educational Outcomes found prekindergarten in New Mexico continues to produce positive outcomes for participants, particularly those that come from low-income households leads to higher high school graduation rates. Low-income students experienced the largest academic gains in prekindergarten and saw a 10 percent jump between the end of kindergarten and third grade in reading scores compared to their non-low-income peers, who saw a 4 percent growth in reading during the same period.

Family, Infant, Toddler Program

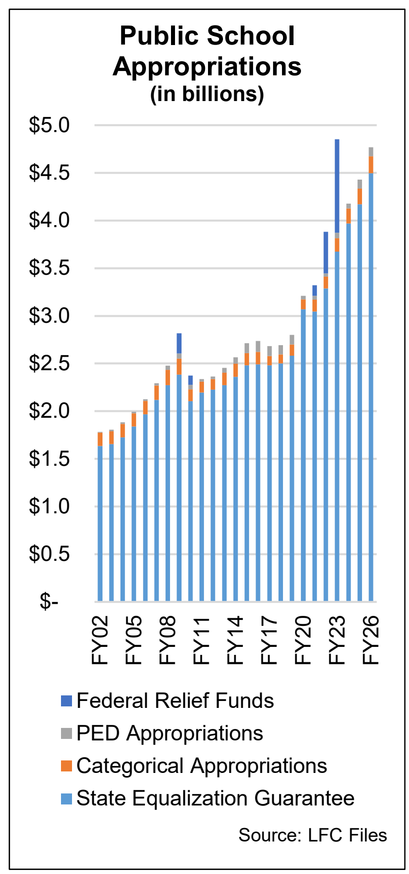
The share of New Mexico children from birth to age 3 enrolled in the Family, Infant, Toddler (FIT) program grew from 7.9 percent to 11.2 percent between FY22 and FY23, and if ECECD's FY26 projection holds, participation will continue to rise. Over the same period, the percentage of enrolled children exiting FIT and transitioning to services for older children declined from 29 percent to 24.6 percent. This decline may suggest that participating children are achieving significant developmental progress or that many enrolled children do not require ongoing special education services. ECECD should continue to monitor enrollment trends and Medicaid billing to ensure services are delivered only to children who need them and that Medicaid is billed whenever eligible.

After several years of significantly increasing investments in public and higher education, New Mexico ranks favorably in education funding per student but is routinely among the poorest performers in the nation for academic achievement and graduation rates. This dynamic suggests funding increases alone are not the solution and that the state should redouble its efforts to identify successful programs and begin reallocating resources toward what works best for ensuring students are college and career ready.



New Mexico's population is aging and falling birthrates mean there will be fewer workers to fill jobs necessary to ensure economic growth and improve quality of life in the future. While the state has little control over population growth, improving educational attainment will help build a future labor force to meet the needs of the economy, from science and technology research to manufacturing and healthcare. However, for this shift to be successful, the state will need to vastly improve student outcomes from early education through college graduation.

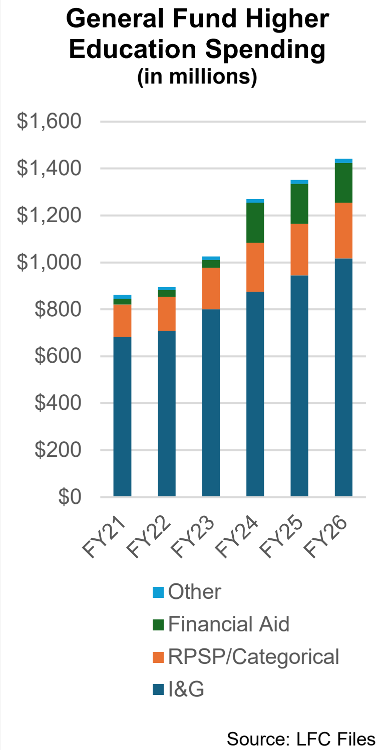
State revenues peaked alongside the *Martinez-Yazzie* education sufficiency lawsuit ruling, resulting in a $2 billion, or 70 percent, increase in recurring appropriations to public schools since 2019 while higher education appropriations increased by $638 million, or 79 percent over this time. However, revenue growth has begun to slow, and overall kindergarten through 12th grade populations continue to decline. The trend of moderate declines by grade level in the K-12 system are likely to carry into higher education in the coming years. Increasing appropriations and falling student populations result in more funding available on a per-student basis, though educational institutions have been challenged to convert funding increases into improved student outcomes.



Enrollment and Efficiency

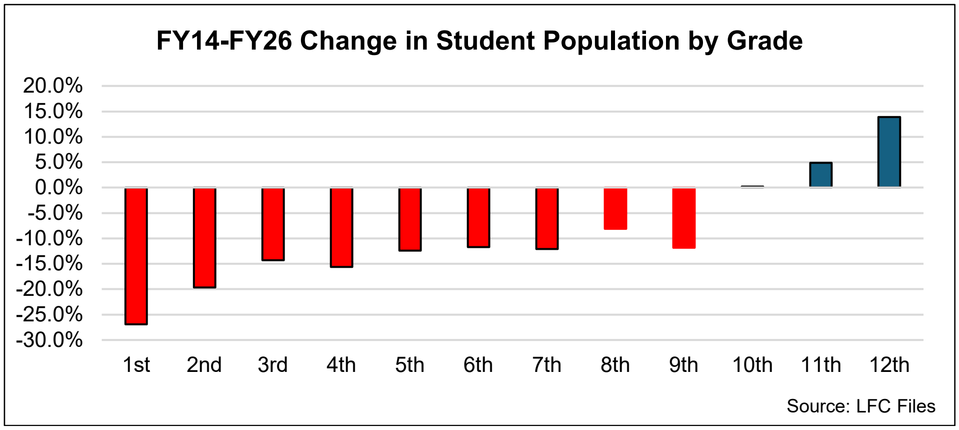
Enrollment in public elementary and secondary schools continues to fall, with counts at 295.5 thousand students for FY26, a decrease of 4,919 students, or 1.6 percent, from the prior year. The trend of declining enrollment is likely to continue due to declining birthrates and has already dropped by 36.4 thousand students (or 11 percent) from peak enrollment 10 years ago. Comparing public school investments from a decade ago underscores the recency of large education investments; recurring appropriations have grown $2 billion, or 70 percent, in the last 10 years as well. Secondary enrollment will remain relatively flat for at least another two years as the largest high school cohort advances. Once this bubble of students graduates, the pool of potential graduates and workforce participants will shrink into the foreseeable future.

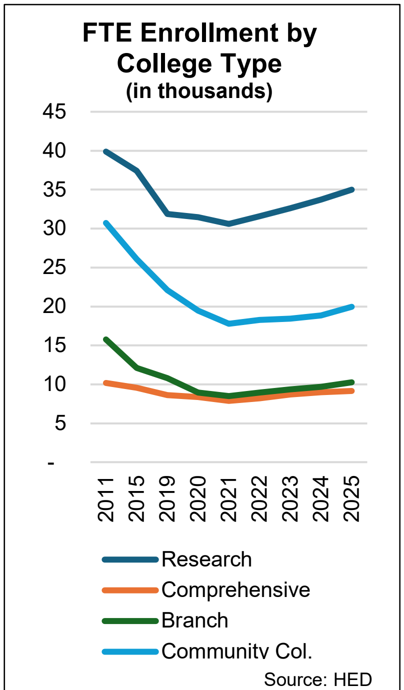
Despite overall K-12 enrollment declines, higher education enrollment increased for the fourth consecutive year in fall 2025. This is likely a result of the creation of the opportunity scholarship and full funding of the lottery scholarship, as well



as a post-pandemic increase resulting from reopening of education facilities and a return to in-person learning. Despite the increases, higher education enrollment remains 16 percent lower than it was a decade ago and 26 percent below the enrollment peak in 2011.

While encouraging, the recent trend of increasing higher education enrollment will likely slow or reverse in the next several years as the number of high school graduates shrinks. Additionally, the dual trend of increased interest in online education and in noncredit workforce credentials will challenge higher education institutions to adapt to the needs of future students.





Right-Sizing Physical Space

Though enrollment trends differ between K-12 and higher education, neither the losses in K-12 nor the gains at higher education intuitions have been uniform, leading to increasing variability in campus utilization across districts and colleges.

Between 2006 and 2020, the gross square footage of college campuses increased from 18.3 million square feet to 21.6 million square feet, or 17.5 percent, while overall enrollment fell and online learning grew to half of all credit hours taken. The combination of increasing online enrollment and smaller overall population has left many campuses with facilities that cannot be properly maintained, and the general condition of higher education buildings is deteriorating.

Recognizing the reduced needs for physical space, the Higher Education Department (HED) created capital outlay funding guidelines that prohibited net increases in square footage on campuses. For example, if an institution were to request a new facility, the HED guidelines require demolition of other facilities to accommodate the new one. Despite this, few facilities have been demolished. Public schools likewise face drops in enrollment that are unevenly distributed across schools and classrooms and require facilities to be right-sized and staffing patterns reconfigured.

For more info:

Public Education Performance
Page 113

New Mexico has a historic opportunity to reimagine college campuses and update them to match current trends. Many existing higher education facilities are too large, old, and not well-configured to hybrid learning. Colleges statewide will be challenged to update their facility master plans to fit new facilities to the student population while reducing campus sprawl and reducing campus operating costs. There is also a need to replace existing facilities, such as the

University of New Mexico School of Medicine. Projects of this scale had not been possible previously due to a lack of planning and budget constraints. These projects will require the state to set aside considerable amounts of funding over the next three to five years but have the potential to significantly improve and expand on-campus learning opportunities.

Funding Education

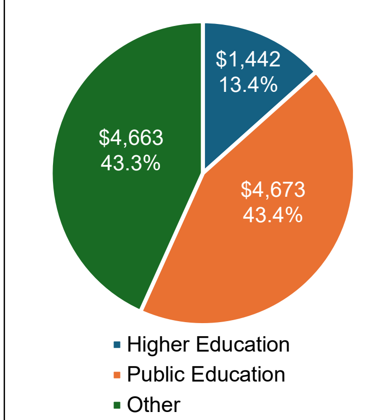
The state of New Mexico finances a larger share of its education system than other states and continues to make educational investments despite ongoing enrollment declines in public schools. The Legislature allocates $6.2 billion, or 57 percent, of all general fund appropriations, to education annually, and the state is the largest funding source for public schools and higher education institutions. According to the U.S. Census Bureau's *2023 Annual Survey of School System Finances*, New Mexico ranked in the middle of the nation for K-12 spending per pupil at $15.7 thousand, just slightly below the national average of $16.5 thousand. Despite middle-of-the-pack funding levels, the state reports the worst national achievement and graduation rates.

For higher education, New Mexico ranks fourth in the nation for state and local funding per full-time student, with the amount nearly doubling the national average spending. However, the state ranked 47th in graduations within 150 percent of normal time in 2023, the most recent year for which data were available, and has not ranked above 45th over the past 10 years.

State funding for colleges varies by sector and New Mexico ranks eighth in the nation for state and local funding for two-year institutions and third in the nation for four-year institutions. Generous state appropriations for higher education have allowed New Mexico to keep tuition relatively low. When all revenues, including tuition and federal appropriations, are taken into account, four-year institutions rank 10th in the nation and two-year institutions rank 13th.

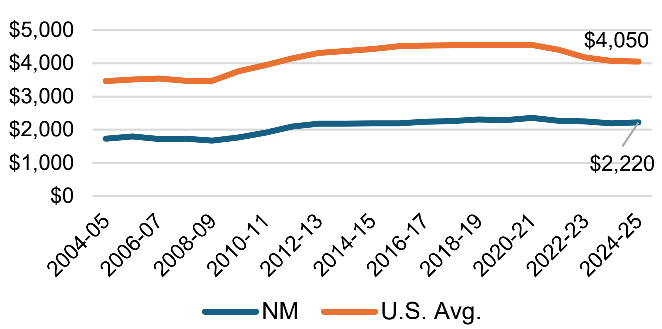
Funding streams vary by college type. Two-year colleges are enabled to levy a local property tax, which brings substantial revenue to the institutions. Four-year institutions do not have property tax authority but receive higher tuition and larger state appropriations through the funding formula. The higher education funding formula succeeded in moving to an outcome-based model that rewards increased degree production. However, the formula only distributes new money over

FY26 General Fund Appropriations
(in millions)



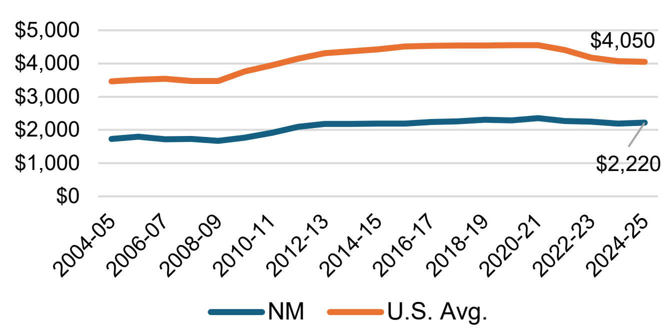
Source: LFC Files

Average Two-Year Public Tuition and Fees



Source: College Board data

Average Two-Year Public Tuition and Fees

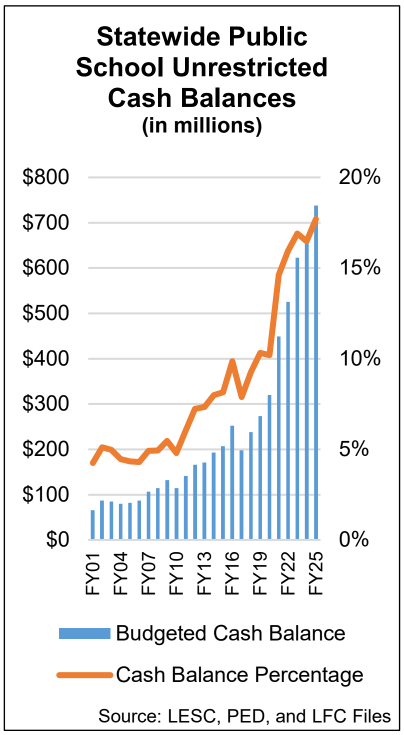


Source: College Board data

EVALUATE: Higher Education Endowments

Because New Mexico colleges and universities are currently not graduating enough workers to meet the state's future job openings for nurses, teachers, and social workers, the Legislature appropriated $170 million between FY23 and FY25 for higher education endowments that would generate interest earnings in perpetuity to add faculty and expand those programs.

An LFC program evaluation found colleges that received these endowment appropriations to create faculty positions were not fully using the investment earnings to hire more faculty. Projections of interest earnings on the endowments indicated the funding was enough to hire about 87 additional faculty; however, colleges had only supported 52 positions. The LFC program evaluation identified delays and implementation issues with how the Higher Education Department (HED) and colleges managed the appropriations to create endowments. HED allocated at least a third of the endowment appropriations to colleges and universities in an untimely manner. Colleges reported not spending endowment earnings because of turnover, internal program approval processes, and recruitment issues. Colleges sometimes used endowment funds differently than budget language instructed or intended, such as spending from the endowment corpus or using investment earnings to support foundation operations over and above investment management costs.



existing appropriations so even large performance improvements would drive a relatively small increase in funding. The formula has not been significantly updated since 2012 and has not been adjusted to account for changes in higher education, such as the rise of online learning and increased demand for short-term, noncredit workforce training programs. The Legislature has made clear the need for improved performance at colleges and universities and may consider reviewing the formula to better align to policy expectations.

According to the College Board, New Mexico had the second-lowest tuition and fees for two-year colleges and the ninth-lowest tuition and fees for four-year colleges. New Mexico four-year colleges charge 21 percent less in tuition and fees than the national average currently, and that gap has remained relatively consistent over the past 20 years. New Mexico two-year colleges charge 45 percent less than the national average currently, slightly higher than 20 years ago when these colleges charged 50 percent less.

New Mexico prioritized low tuition to maintain access to higher education for all residents. The creation of the lottery scholarship in 1996 provided tuition-free college for students who went directly from high school to college and in 2023, the opportunity scholarship was created to pay tuition and fees for all students who did not already have a bachelor's degree. The scholarship programs are paid for by a mix of recurring and nonrecurring general fund appropriations and a nearly $1 billion endowment that provides approximately $50 million per year. Despite these multiple funding sources, the combination of enrollment and tuition increases are projected to push the scholarship programs into a deficit by FY27. The overspending will require additional funding to maintain the scholarships at their current level or a reduction to student aid awards in future years.

The long-term sustainability of financial aid programs will depend on changes in enrollment and tuition rates. Since the creation of the opportunity scholarship, a number of institutions significantly increased tuition and fee rates now paid from state sources. Moving forward, the Legislature must consider tighter restrictions on institutions to limit tuition increases. It is also unclear what impact falling K-12 student populations will have on financial aid programs. Should enrollment begin to decline as the graduating classes shrink, it could relieve pressure on the programs, though it will likely be several years until the effect of these demographic changes is known.

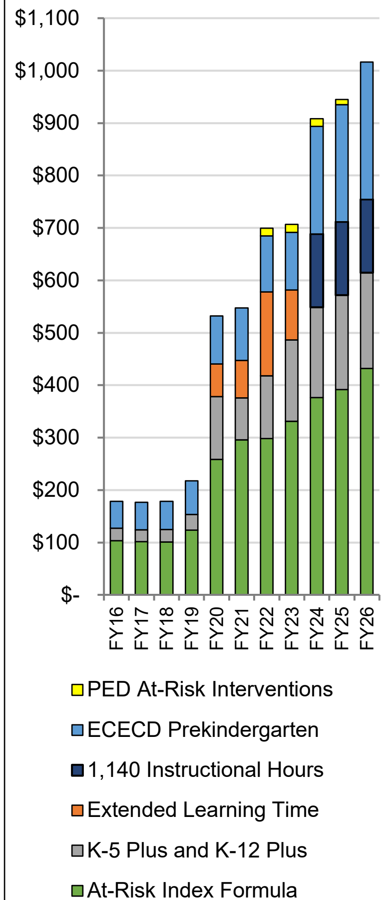
Federal Aid to Schools

The expiration of $2 billion in nonrecurring federal education stabilization funds to New Mexico in FY25 created new opportunities and challenges for financing K-12 educational needs. While the immense amount of one-time federal support helped schools to make significant capital improvements and to hire staff for targeted support during and after the pandemic, the creation of new positions and services have now placed pressure on state appropriations to maintain programs.

Complicating the end of pandemic federal aid is 64 percent continued growth in school cash balances. School officials note funding delays contribute to some growth in balances to maintain cash flows as schools await reimbursement. PED reimbursement processing times have improved since the pandemic, but recent federal policy changes may affect timeliness for other school grants. School cash balances have grown statewide, reaching $738 million (or 18 percent of operating revenue) at the end of FY25. Notably, growth in balances slowed this year, likely due to the immediate use of reserves to cover additional costs, such as insurance premium increases and large capital outlay projects by some districts using operating funds. However, operating reserve rates vary widely across districts and charters, ranging from cash balance highs of 69 percent to no balances at all.

Changes in federal administration have caused major shifts around financing public school systems. Delayed funding from new federal monitoring practices have tightened local programming, despite growth in state investments. Downsizing of U.S. Department of Education functions and proposed consolidation of federal education appropriations have further signaled a decreased federal presence in education in coming years. As federal programs increasingly look to New Mexico to offset decreased funding, the state should determine whether initiatives are evidence-based and address critical areas of need as highlighted in the *Martinez-Yazzie* education sufficiency lawsuit before considering state appropriations to support programming.

At-Risk Student Program Funding
(in millions)

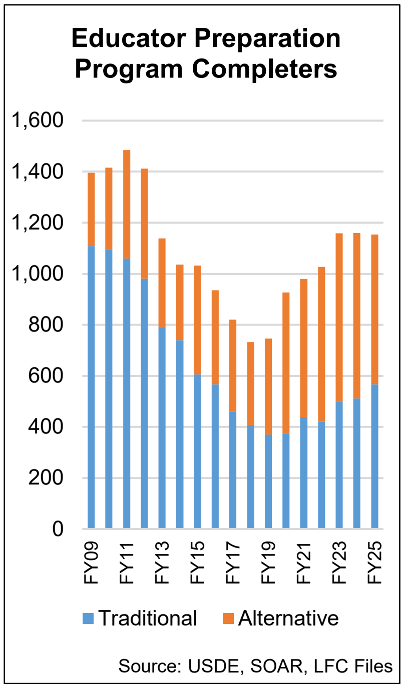


*Includes family income index
Source: LFC Files

Governance

Despite the state shouldering the lion's share of public school expenses, operational decisions are largely determined at the local level in New Mexico. Although decentralization can be a more responsive governance structure, because local officials are generally more attuned to daily needs, New Mexico has long produced dismal and disparate academic and social outcomes for its at-risk students. These outcomes, coupled with massive state investments in recent years, have increased pressure for state oversight over schools.

Seven years have passed since the ruling in the *Martinez-Yazzie* lawsuit found New Mexico's education system was not providing a uniform nor sufficient education to all students. The court found low academic achievement and wide academic gaps between at-risk students and their peers on national and state assessments as key indicators of an inadequate educational system. Since the ruling, the state has added $2 billion recurring dollars into the system—a 70 percent increase—with mixed results. State test results show continued improvement in reading proficiency but no growth in math proficiency. Despite, national test results showing an overall decline of performance in both reading and math, New Mexico continues to rank at the bottom of all states on outcomes.



Quality of Instruction

If reading and math proficiency continue to be used as key measures of educational success, the state can only directly improve performance by addressing two factors: the quality of instruction and instructional time. While many state programs and initiatives (e.g., providing free meals or creating outdoor classrooms) attempt to address student achievement, these initiatives cannot directly improve reading or math proficiency unless the programs provide students with more learning time or change teacher instructional practices.

Teachers are the largest in-school factor affecting student academic achievement. However, the teaching workforce in New Mexico has been plagued by a larger share of new teachers with little or no preparation, high turnover rates, and few systemwide changes in instructional practice. To substantively change the practice of over 20 thousand teachers in the state, New Mexico must create conditions to enable the selective hiring of only the most qualified teachers, to retain and expand the reach of the best educators, to promote continuous learning, to equitably place personnel in high need areas, and to provide a dignified and agreeable path out of the profession for ineffective staff.

Recent increases to teacher minimum salary levels and educator pay have raised New Mexico's wages faster than national averages and renewed interest in the teaching profession. For FY24, the National Education Association ranked New Mexico seventh in the nation for average starting teacher pay at $53.4 thousand and 21st in the nation for average teacher pay at $68.4 thousand. Enrollment at educator preparation programs has rebounded, with 2,014 students admitted and 1,153 students completing a program in 2025, an increase of 188 admits and decrease of seven completers from the prior year. The state has also invested heavily in recruitment and preparation programs, including teacher residency and grow-your-own initiatives, which extend clinical practice time for teacher candidates to upgrade the quality of candidates and attract educators who are most likely to stay in the classroom.

Annual teacher vacancies are around 3 percent statewide but are declining, with 604 posted vacancies reported in 2025—an 18 percent drop from the prior year. The state is making progress toward building a surplus of teacher candidates, which will establish the first condition of allowing for more selective hiring. However, the state has more work to do in all other areas relating to teacher quality. While the state has begun a $2 million innovative staffing pilot through the public education reform fund to expand the reach of its best teachers, New Mexico does not have a consensus on who are the "best" teachers. Until such a measure exists, the state will struggle to identify teacher learning needs and to target staffing in a strategic way to close achievement gaps.

The state is also losing momentum on its extension of learning time for students, with more school districts and charter schools switching to a four-day school week and shortening calendar years by an average of two days in FY26. While public debate has pitted instructional quality against learning time, both are necessary to advance student learning. While research is not conclusive yet on the effects of four-day school weeks, studies suggest significant negative impacts from the switch for urban districts and districts that decrease total instructional hours. A 2023 Rand Corporation study found the four-day school week was associated with statistically significant, detrimental impacts on student achievement.

EVALUATE: Schools Beating the Odds

A 2025 LFC program evaluation report found school practices matter for student outcomes, and the state can better promote effective practices. The LFC report identified ways high- and low-performing schools serving “at-risk” students differ in their school practices, including regular feedback and coaching, clear expectations tied to state standards, using data to track individual student progress, and consistent district and school leadership. High-performing, high-poverty schools that “beat the odds” consistently implement these evidence-based practices while low-performing school struggle to adopt and maintain these practices. The LFC report also found the Public Education Department’s federally required accountability system for schools could more systematically track the implementation of these successful school practices and proactively promote them.

School Leadership

The state has a vested interest in ensuring public schools are staffed with qualified personnel, reducing the need for state intervention and improving implementation of services at the local level. While teacher residencies may increase the diversity and preparation time for new candidates, the state has not yet demonstrated if the programs are cost-effective options. The state’s principal and superintendent residency pilots are also in early stages and are too small for a robust evaluation.

Even if teachers are better prepared, their impact may be isolated to one classroom, and they are still likely to leave within four years. As such, leveraging collective teacher efficacy is largely in the hands of the school leader. Ensuring schools have strong leaders, either in the form of teacher leaders or instructionally focused principals, will be key to retaining new teachers and strengthening classroom instruction. The Public Education Department’s (PED) recent efforts to reinstate procedures for accrediting schools may increase monitoring and enforcement of school-level practices that improve student outcomes, although implementation is also still in its infancy.

Higher Education Governance

Each higher education institution is governed by independent boards of regents who maintain control over day-to-day operations including setting budgets, tuition rates, and prioritizing capital outlay requests. Over the past several years, a number of allegations of wrongdoing have been made against boards and executive leadership of various institutions. Bills requiring additional oversight of board actions have been proposed, but systemic reform has not been achieved.

Moving forward, the Legislature may need to implement additional guardrails to protect state policy priorities. For example, tuition increases that passed since the creation of the opportunity scholarship have led to the scholarship programs facing deficits in coming years. While tuition has traditionally been set at the discretion of the board, the position of the state, rather than students, as the primary payer of tuition, mean any increase in rates has a direct impact on state finances.

For more info:

Higher Education Performance Page 116

Student Readiness

The latest court order in the *Martinez-Yazzie* case has tasked PED with developing a remedial action plan to address continued dismal outcomes for at-risk student populations. While the initial draft lacks specific performance targets and costs for compliance, the plan assigns responsibilities to multiple parties (including the Legislature) over the next three years to address core issues, such as providing access to programs and services for at-risk students. Recent state investments into early childhood education programs will help many students reach grade level readiness before kindergarten; however, summer learning loss and absenteeism play a major role in achievement gaps once students enter the public schools.

Chronic Absenteeism

Notably, New Mexico no longer has the highest chronic absenteeism rate in the country, the rate of students missing more than 10 percent of school. For FY24, the state's chronic absenteeism rate was about 30 percent, down from its peak of 40.7 percent in FY22. While the state remains above the national average chronic absenteeism rate of 23.5 percent and the prepandemic average rate of 16 percent, the improvement means more students will have access to the learning time necessary to raise academic achievement.

EVALUATE: School Meals

A 2025 LFC program evaluation on the universal school meals program found the expansion of free breakfasts and lunches to all students increased participation in school meals, particularly for higher-income students. Changes in federal eligibility rules and enforcement of state meal quality requirements could increase costs for the state, particularly to offset lost federal revenues and upgrade kitchen infrastructure to implement scratch cooking. Additionally, smaller districts and charter schools were more likely to rely on contracted food service providers and leverage more operational dollars for school meals, given scale inefficiencies and staffing issues.

At-risk students are more prone to absenteeism than their peers, but any student's absence affects the delivery and pacing of instruction for all students. Additionally, the state's efforts to extend the school year are negated when students are not attending and receiving instruction. Although chronic absences have more immediate consequences, such as a reduction in academic achievement, longer term effects also include lower graduation rates, further reducing the number of students accessing postsecondary pathways. If schools cannot reach their students, no amount of quality instructional time or state investment will be able to directly affect their academic outcomes.

Chronic absenteeism rates nationwide rose for all students following the pandemic and recent trends show national rates are now falling. While New Mexico allocated additional funding to address attendance issues, including for two pilot programs through the public education reform fund, it remains unclear whether state efforts are affecting attendance rates or if improvements are part of a broader national shift.

Part of the complexity of determining appropriate interventions for attendance is the variety of reasons why students do not attend school, such as those who cannot attend (e.g., illness), who are afraid of attending (e.g., bullying), and who have no interest in attending (e.g., disengaged). For example, an intervention to provide stipends to students for attendance may be effective for disengaged students who are looking for income but may not be enough of an incentive for students who feel unsafe being at school. Likewise, the stipend could affect attendance for a student struggling with transportation costs but would be less relevant if they missed school to care for family members.

Still, the goal of improving attendance is not about attendance itself but rather the student's access to instructional time, particularly if the student is at risk of falling behind. While the state has tested students annually for decades on reading and math assessments, not all schools use the results to inform interventions, and even fewer schools engage families and communities in systemwide support for struggling students.

The Science of Learning

Recent national debate has focused on the science of reading, a body of research on how children learn to read and what instructional approaches are most effective. Spurred by dramatic reading gains in Mississippi, Tennessee, Louisiana, and other states, the approach has driven multiple states to change their policies around teacher training, instructional materials, phonics instruction, and student interventions to mirror the same approach.

While PED notes the state's increasing focus on the science of reading has contributed to gains in reading proficiency, the improvements have not yet materialized on national assessments. Currently, New Mexico has begun training all current elementary teachers in the science of reading and pushed educator preparation programs to incorporate this approach to candidate preparation. However, the state will need to consider whether student interventions should extend to retention strategies, as was done in Mississippi, and how extended learning opportunities play into supporting struggling students.

Unlike reading, the body of research on a "science of math" is not as extensive. New Mexico is piloting various math and STEAM (science, technology, engineering, arts, and math) initiatives, including a public education reform fund program that may inform innovative approaches to improving math proficiency. PED's approach to math mirrors its work in reading—primarily training teachers and providing instructional coaching. However, this approach will require more rigorous evaluation and study. Given the even lower proficiency rates in math than in reading, the state has an imperative to support stronger math approaches but should not commit to recurring funding until impact has been determined.

High School Graduation

While New Mexico's high school graduation rate continues to increase, the change since the *Martinez-Yazzie* ruling in 2019 has only been 3.3 percentage points. New Mexico remains about 10 percentage points below the national average, and of the 43 percent of graduates who attend an in-state university or college, about 40 percent require some form of college remedial course.

LFC Online: Understanding Government Finances

Finance Facts: Lottery and Lottery Scholarship

Recent changes in the high school graduation requirements will remove algebra two as a course requirement and allow schools to locally determine two math courses to graduate for the class of 2029. Additionally, students will no longer be required to take a distance learning, advanced placement, honors, or high school/college dual-credit course to graduate, which may affect higher education dual-credit enrollment.

The change in graduation requirements also allows career and technical education courses and work-based learning opportunities to be interchanged with core academic classes like English and math. This shift to more career-focused courses reflects a shift in state priorities to address industry needs and student engagement. While these changes may lead to higher graduation rates, the key indicator of success will be whether students acquire skills that lead to better employability, higher wages, and transferability to other postsecondary pathways, including colleges.

College Readiness and Student Success

College readiness looks different across higher education sectors. Two-year institutions offer many vocational programs that may not require the same level of academic preparedness necessary to successfully complete a program at a four-year institution. However, to be successful on an academic or vocational track, students must have a basic level of competence in math and written communication.

2025 SAT Suite Annual Report

			Met Benchmarks	
State	% Test Takers	Score	Both	None
NH	76%	1017	34%	33%
CT	91%	989	33%	40%
CO	90%	987	32%	40%
FL	87%	970	28%	40%
TX	74%	964	28%	45%
IL	99%	961	29%	46%
DC	85%	958	29%	49%
MI	100%	953	26%	46%
IN	100%	950	25%	46%
RI	99%	935	24%	48%
DE	94%	933	22%	50%
WV	93%	911	17%	51%
NM	***100%***	***875***	***12%***	***62%***

Source: The College Board

SAT college entrance exam scores show New Mexico students are far less prepared to go on to college than their peers nationally and regionally. Each year, the College Board, which administers the SAT exam, reports state-level data including overall scores and proficiency. Proficiency is determined based on a benchmark for performance reflecting a 75 percent likelihood of a student passing their first semester credit bearing course in math (e.g., algebra and statistics) and evidence-based reading and writing (e.g., history, literature, or writing). In 2025, 100 percent of New Mexico high school graduates took the SAT, a requirement for graduation. New Mexico performs relatively poorly even when compared with states with similar completion rates.

Only 12 percent of New Mexico SAT takers meet both the language and math proficiency benchmarks, compared with 39 percent nationally. Additionally, 62 percent of New Mexico SAT takers do not meet either benchmark compared with 34 percent nationally. New Mexico ranks last by a wide margin among the 13 states that have SAT completion rates of over 70 percent of high school graduates.

Under-preparedness results in New Mexico students facing additional difficulties in completing higher education degrees. The Higher Education Department reports 38 percent of recent college graduates enrolled in college courses are taking remedial courses. The need to take remedial courses can result in more students leaving college before graduation or extending time, and expense, to graduate; only 48 percent graduate within six years, significantly less than the national average of 59 percent. While the overall graduation rate is low, rates should be compared across similar institutions. LFC analysis shows colleges with larger incoming freshman classes have higher graduation and retention rates than smaller schools. When New Mexico institutions are compared on a size-adjusted basis, smaller New Mexico institutions have graduation rates that are similar to the national average. However, for large institutions with incoming freshman classes of 2,000 or more students, the state graduation rate is significantly lower than the national average. For the state to meet the national average for size-adjusted graduation rates, an additional 720 students would need to graduate within six years.

For the two-year sector, college graduation rates also trail the national average, though the gap is narrower. Additionally, students in the two-year sector are more likely to be part-time or returning adult learners rather than direct-to-college, full-time students who are not counted in traditional graduation measures. Further complicating the comparison process is the increasing interest in noncredit workforce training programs widely offered at community colleges. Measuring success for these programs will be crucial in coming years because the Legislature has made significant investments to boost availability of these short-term training programs. During the 2024 session, the Legislature appropriated $60 million over three years for community colleges to provide financial aid for noncredit workforce training.

Analysis of U.S. Versus N.M. Graduation Rates

Based on Completion Within 150% Standard Time

Freshman Class Size	U.S. Grad. Rate	NM Grad. Rate	Add'l Grads to Match U.S. Average
<500	38.6%	37.5%	9
500-1,000	40.3%	39.8%	3
1,000-2,000	48.6%	N/A	N/A
2,000+	66.0%	52.4%	707
Total	**58.7%**	**48.2%**	**720**

Source: IPEDS

While data is being gathered and tracked on expenditures, students served, and programs offered, little is known about labor market outcomes for workforce training programs. In the coming years, colleges must create a reporting framework to show student outcomes for these programs if funding is to be extended in future years.

Additional Graduates to Reach Size-Adjusted U.S. Graduation Average

Institution	2023 Grads	Grads for U.S. Avg.
ENMU	248	3
NMHU	65	33
NM Tech	133	0
NMSU	1,059	280
Northern	44	8
UNM	1,662	427
WNMU	97	10

Source: IPEDS

Student Success

Creation of new higher education scholarship programs increased affordability, creating an incentive for students to enroll in college. However, data from the Lumina Foundation show many of the barriers to completion for students who are *already enrolled* are not financial. Forty-one percent of currently enrolled higher education students nationwide reported finding it "very difficult" or "difficult" to remain enrolled in their higher education program, from certificates to bachelor's degrees. The number one reason for considering stopping is emotional stress, at 55 percent, followed by personal mental health reasons, at 47 percent. Program cost is cited 29 percent of the time, suggesting the need for strategies to complement affordability.

The Legislature recognized the need for additional student support services and provided recurring appropriations in each of the past three legislative sessions to address student support. The funding has been utilized by institutions for a variety of purposes, including mental health counseling, tutoring, advisement, and basic needs initiatives. Higher education leaders will be challenged to track the impact of student support interventions on retention and graduation rates to prioritize support spending. In 2025, the Legislature appropriated a total of $20 million over three years to be distributed to institutions that are able to improve their retention rates. This funding is designed to provide a financial reward to institutions that can improve student retention using strategies of the institution's choosing.

Career Readiness and Workforce Needs

New Mexico is facing critical worker shortages in key sectors, such as healthcare, education, law enforcement, and technical trades—all of which require postsecondary education or certification. The Legislature has made substantial investments to address these gaps, including $80 million in social work endowments,

$40 million for nursing, and $50 million for teaching. However, many other high-need fields remain underserved. The state's low overall educational attainment contributes to workforce shortages, despite having a large share of residents with some college experience but no degree. Young New Mexicans, in particular, are less likely than their national peers to hold a bachelor's degree, reflecting high rates of college noncompletion.

Educational Attainment by Age and Level

	Age 25-34		Ages 25-64	
Highest Education Level	**U.S.**	**N.M.**	**U.S.**	**N.M.**
Grad/Professional	12%	9%	14%	13%
Bachelor's	28%	19%	23%	17%
Associate	9%	10%	9%	10%
Certificates & Certifications	8%	11%	8%	11%
Some College, No Credential	12%	17%	11%	11%
HS Grad/Credential	24%	27%	25%	26%
No HS Diploma/Credential	7%	8%	10%	12%
Post Secondary	**56%**	**49%**	**54%**	**51%**
Secondary or Less	**44%**	**51%**	**46%**	**49%**

Source: Lumina Foundation

To improve workforce participation and earnings, the state is emphasizing shorter, career-focused education pathways. Recognizing that many residents start but do not complete college, the Legislature has allocated $20 million annually for noncredit training programs over three years. Colleges are also expanding short-term, stackable credential programs that allow students to earn workforce-relevant certifications while progressing toward a degree. Yet, Legislative Finance Committee analysis shows that wage outcomes vary widely by credential type: Workforce-aligned programs, such as law enforcement and commercial driving, yield stronger wage gains than general studies or liberal arts certificates. Institutions must, therefore, focus on guiding students into programs that lead to sustainable, well-paid employment.

Despite looming federal cuts expected to further mount later in the decade, New Mexico is positioned to advance, thanks to the investments of the past five years. The state has emerged as a leader in compensating providers, hospitals, and others by dedicating billions to rate increases. Rural health is in an unprecedented position, with hundreds of millions in expansion and stabilization grants, while behavioral health is being reshaped through significant new funding and sweeping legislative reforms. Similarly, investments in services for the disabled and elderly have improved access to in-home and community services for these populations. These investments are new, and while New Mexico continues to underperform the nation on health outcomes, particularly for substance use, and might be making inefficient use of its public healthcare system, the payoff should be seen in coming years. Focusing on how the state executes these investments is key to securing healthier communities.

For more info:

Health Care Authority Performance Page 138

Tracking Investments and Improving Outcomes

Over the past several years, the Legislature has worked to expand access to care by establishing the Health Care Authority, directing one-time funding toward capacity-building initiatives, and raising Medicaid reimbursement rates by about $2.2 billion for hospitals, physical and behavioral health providers, services for individuals with developmental disabilities, and other critical areas—aimed both at making rates more competitive and ensuring provider stability. However, funding alone will not address these issues and better tracking of outcomes and spending strategically is needed.

Rural Health Care Delivery Fund

New Mexico has invested hundreds of millions of dollars in expanding rural healthcare access but with no overarching plan. Between the 2023 legislative session and the 2025 special session the Legislature appropriated $226 million to the rural health care delivery fund to provide startup funding to rural health providers and facilities offering new services. By October 2025, a little over a quarter of the funding had been expended. While the services funded include maternal and child health, behavioral health, dentistry, and primary care there is little indication grantors determined which of these services are in the greatest demand in each locality or whether certain services, such as behavioral health, would deliver the greatest return on investment. Additionally, there is no statewide strategy to address known gaps within the system.

The Health Care Authority reported it used Medicaid network adequacy data to determine the appropriateness of the grants. However, as was documented in the ***2025 Medicaid Accountability Report***, network adequacy data is problematic because Medicaid managed care organizations collect the data and external audits of the data could not verify its accuracy. Also, the authority funded programs deemed medically necessary but did not produce data showing the programs funded were evidence-based.

Additionally, the authority stated the grants have led to 940 new hires of full-time health workers, including physicians, nurses, social workers, and therapists. But the authority is not tracking whether the new hires were brought in from outside the local community or whether they simply shifted from one facility or clinic to another within the community or how ongoing funding will be secured.

Provider Rates

With billions invested, overcoming New Mexico's chronically poor outcomes on behavioral health, substance misuse, and chronic disease is more possible now than it ever has been, but again, more time and information is needed to determine if the investment is paying off. Between FY24 and FY26, the Legislature invested over $2.2 billion across funds to increase rates paid to providers with the goal of improving access for New Mexicans on Medicaid.

Recent and Upcoming Provider Rate Adjustments
(in millions)*

Provider Type	FY24	FY25	FY26
**Maternal and Child Health and Primary Care	$222.5	$210.3	
***Hospital Rates	$105.9	$39.2	$1,361.4
Maternal Health Services	$29.6		
Phase III Providers		$42.6	
Prior Year Rate Maintenance		$116.6	
Rural Primary Care Clinics and FQHCs		$9.0	
Medicaid Home Visiting		$6.7	
Birthing Doulas and Lactation Counselors^		$26.0	
Behavioral Health	$31.8	$31.8	$25.9
Program for All Inclusive Care			$23.7
Assisted Living Facilities			$11.2
Nursing Facility Rebasing			$40.2
Total	$389.8	$482.2	$1,462.4

* Includes both state funds and federal match funds
** includes $5 million EC trust for maternal and child health
*** FY26 based on FIR for Health Care Delivery and Access Act
^$10.8 million from EC trust

Source: LFC Files

However, while it may be too soon to see the impact, one early indicator is unfavorable: The number of behavioral health prescribing providers and the ability of Medicaid enrollees to receive a behavioral health appointment decreased during this period. Roughly $90 million in rate increases have been approved over the past three years in behavioral health alone. A comparison of New Mexico's reimbursement rates on the 20 most frequently used Medicaid behavioral health codes to Medicare rates and Medicaid rates in Arizona, Colorado, Oklahoma, and Utah found, with only three exceptions, New Mexico's rates were higher—often substantially so. While some codes are roughly on par with other states or Medicare, others stand far above. In fact, New Mexico has at least one behavioral health code reimbursed at more than 325 percent of the rate paid in comparison states. For example, outpatient family psychotherapy is reimbursed at $242 per hour in New Mexico—50 percent above Medicare and up to 325 percent higher than neighboring states.

Analysis of physical health codes shows similar patterns, though the differences are generally smaller than in behavioral health. With one exception, New Mexico's Medicaid reimbursements for the 20 most used physical health codes were higher than those in every comparison group. While the gaps are not as wide as in behavioral health, they remain significant: New Mexico's rates are at least 7 percent higher than peers and, in some cases, up to 186 percent higher than neighboring states. For instance, outpatient visits in New Mexico are reimbursed at nearly twice the rates paid in Arizona and Utah.

Again, the authority may not be tracking the data it needs to ensure these investments pay off. Between 2022 and 2024, the state lost 1,082 prescribing and

427 nonprescribing Medicaid behavioral health providers. The authority asserts the cause of the decline is likely the ending of the public health emergency. A vast majority of counties in the state saw a decline in prescribing providers. Additional data, such as utilization data, is needed to determine if primary care physicians and other physical health providers are prescribing behavioral health medications and filling the gap.

The state increased rates to attract more people into medical fields and attract more out-of-state providers to practice in the state. The disconnect between higher provider rates and fewer providers may be because the rate increases are not resulting in higher salaries for practitioners and the increases are being absorbed in administrative or corporate overhead.

LFC Online: Understanding Government Finances

Finance Facts: Medicaid

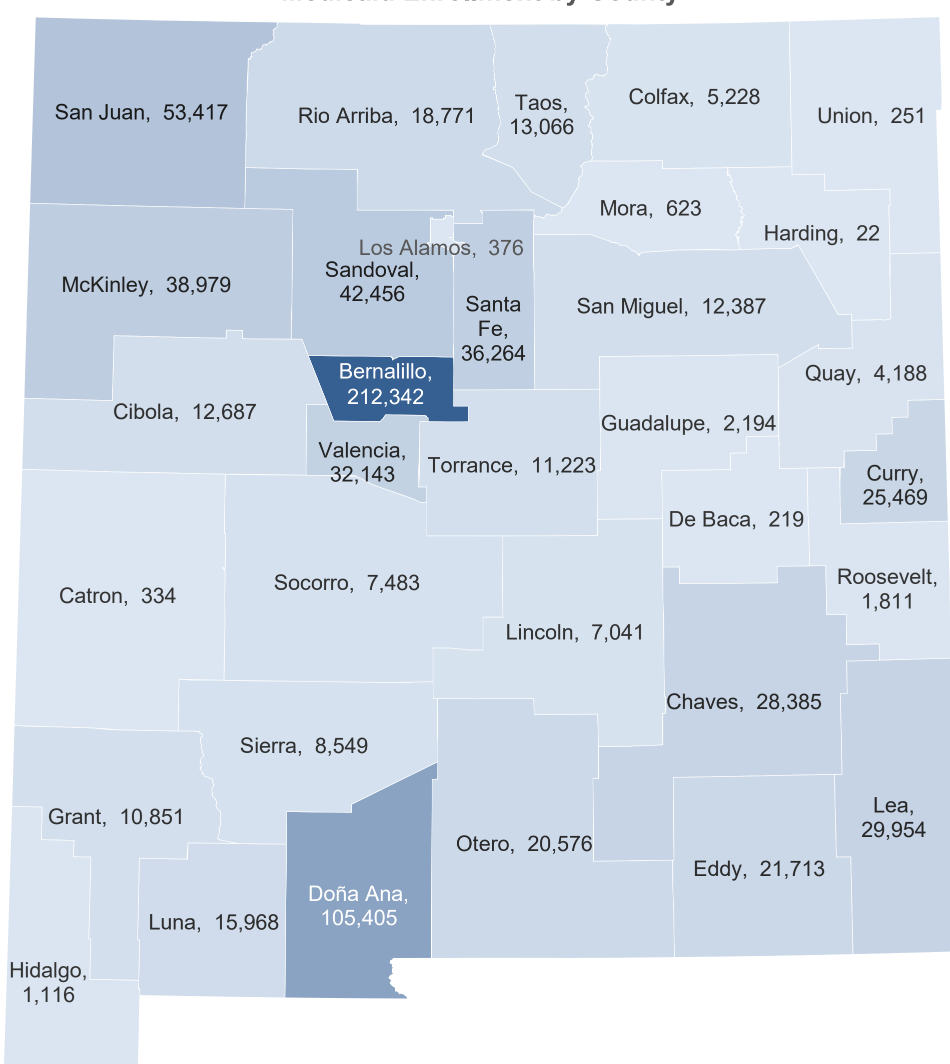
Behavioral Health

New Mexico has invested in behavioral health beyond provider rate increases, another vitally important area where the state must track investment and ensure improved outcomes. Not including the rate increases, during the 2025 session the Legislature invested $555 million in nonrecurring behavioral health funding

For more info:

Behavioral Health Collaborative Performance Page 143

Medicaid Enrollment by County



Source: HCA Dashboard

LFC Online: Understanding Government Finances

Finance Facts: Child Support

for multiple agencies, enacted the Behavioral Health Reform and Investment Act (BHRIA), and created a new behavioral health trust fund.

The BHRIA repeals the Interagency Behavioral Health Purchasing Collaborative, which failed to meet at all in the its final year, and establishes a new executive committee in its place. It also directs the Administrative Office of the Courts (AOC) to conduct sequential intercept mapping—identifying points of intervention within the justice system—convene regional meetings to develop regional behavioral health plans, and report monthly to the Legislative Finance Committee. To implement the legislation, the 2025 General Appropriation Act provided one-time funding supporting AOC's mapping and treatment court initiatives, the Department of Finance and Administration's expansion of housing services, and the Health Care Authority's development of regional behavioral health facilities, clinics, and funding priorities aligned with regional plans.

In addition to the BHRIA initiatives, the Health Care Authority (HCA) also received several one-time appropriations to advance behavioral health and substance use treatment efforts, including funding to pilot the integration of medication-assisted treatment into primary care settings, expand capacity for a newly approved Medicaid waiver supporting transitional services for justice-involved individuals, integrate incentive-based approaches into substance use disorder treatment, support innovative residential treatment services in Doña Ana County, and strengthen capacity among homeless service providers to better serve people transitioning from incarceration.

While the BHRIA has strong requirements for sequential intercept mapping, regional planning, and distributing funding based on needs and gaps analyses, it will be critical to monitor the performance of these initiatives to ensure the right services are stood up in the right places, that the new services are evidence-based, and that they are sustainable through Medicaid revenue and other payor sources.

Federal Social Services Changes

In July 2025, the federal government enacted House Resolution 1 (HR1), a sweeping reconciliation package that fundamentally changed the way the federal government finances Medicaid, the Supplemental Nutrition Assistance Program (SNAP), state health insurance exchanges created under the Affordable Care Act, and other social programs. Many of the changes affect eligibility requirements and increase requirements for state matching funds. The most significant impacts of HR1 will continue growing over the next decade. Adding to this, enhanced premium tax credits (EPTC) for health insurance buyers, first enacted during the pandemic, are set to expire at the end of 2025, leading to increased exchange premiums nationally starting January 1, 2026. With federal deficits increasing significantly over the past several decades more cost-saving changes may be on the way.

Supplemental Nutrition Assistance Program

Enactment of HR1 removed eligibility for SNAP for refugees, asylum seekers, and certain other immigrants, expanded the population of those required to work from those under age 54 to those under age 64, changed the work requirement exemption for those with dependents under age 18 to those with dependents under

Supplemental Nutrition Assistance Program

The Supplemental Nutrition Assistance Program (SNAP) is funded by the U.S. Department of Agriculture and administered at the state level by the Health Care Authority. The program provides monthly food benefits to households and individuals with income generally at or below 200 percent of the federal poverty level, or $64.3 thousand for a family of four. Benefits are issued on an electronic benefits transfer (EBT) card and can be used to buy eligible food items at approved retailers.

SNAP Administrative Match Costs

A new administrative match rate of 25 percent federal funds and 75 percent state funds will go into effect in late 2027. The state share is currently 50 percent. The Health Care Authority requested a total of $37 million for FY27 to backfill federal administrative SNAP revenues.

SNAP Immigrant Exclusion

Given the gradual reduction of immigrant enrollment through much of FY26, LFC estimates the cost for maintaining SNAP benefits for the 16 thousand affected individuals for FY26 is about $11.1 million. However, if the Legislature chooses to maintain benefits for FY27, the cost is expected to increase significantly to $19 million or more on an annualized basis.

age 14, limited geographic work requirement waivers to only those states with high unemployment rates, eliminated the SNAP-education program, changed the way national food benefits levels are calculated, and reduced or eliminated certain income deductions, effectively reducing benefits for many households.

Most immediately impactful to the state's budget, HR1 reduced the federal share for administrative expenses from 50 percent to 25 percent, doubling the state's administrative costs starting in late 2027. The bill also created a new state match requirement for all SNAP benefits based on how high a state's payment error rate is.

SNAP Matching Requirements. Aside from the administrative match, states have never been required to pay a share of the cost of SNAP benefits. The newly created match is tiered based on how high a state's payment error rate is. Based on current spending trends, New Mexico's matching rate could be anywhere between nothing and $173 million. The new match starts with the beginning of federal fiscal year (FFY) 2028 on October 1, 2027.

However, New Mexico may receive a temporary reprieve from this requirement because its 2024 payment error rate was high at 14.6 percent. A provision added to HR1 at the last minute delays implementation of the matching rate to federal fiscal year 2029 if a state's payment error rate multiplied by 1.5 in FFY25 is greater than 20 percent. Implementation would again be delayed until FFY30 if this calculation is still above 20 percent for FFY26.

SNAP Work Requirements. SNAP always had work requirements for people between the ages of 18 and 54 and included exclusions for people with a dependent child under 18 years of age. The reconciliation bill now requires work for people between the ages of 18 and 64, and the dependent exclusion now applies to people with dependents under the age of 14. The authority estimates that this will lead to about 20 thousand people losing eligibility for the program. If this estimate is correct, the state would spend about $45 million less in total funding for SNAP benefits annually for this population.

EVALUATE: Stacking Supports

The third iteration of the Stacking of Income Supports report, released in fall 2025, found, again, the state provides a large enough benefits package to low-income individuals that many families can meet their needs if they receive all the benefits to which they qualify. Still, even with these programs, the state continues to have one of the highest poverty rates in the country.

Previous recommendations included monitoring the impacts of programs on poverty, reducing barriers to access, and connecting program recipients with workforce training and education.

While New Mexico has created a generous benefits package that provides a living wage to many family types, the state is at risk of losing billions in federal funding. It needs to improve administrative processes and increase access for those most in need. To address work disincentives and benefit cliffs, the state can rethink its workforce training to connect more workers with short-term certifications and restructure tax credits.

Projected Cost of SNAP Benefits After HR1

If the State's Error Rate is Equal to…	< 6% Error		6-<8% Error		8-<10%Error		>10% Error	
Then the Required State Matching Rate is…	0%		5%		10%		15%	
	State	Federal	State	Federal	State	Federal	State	Federal
Then the State/ Federal Matching Funds Requirement for SNAP Would be…	$0	$1,155,034	$57,752	$1,097,283	$115,503	$1,039,531	$173,255	$981,779

Source: LFC analysis of SHARE

Medicaid

The federal reconciliation bill made substantial changes to Medicaid, the financial impact of which will be felt most three to five years from now. Changes include phasing out hospital state-directed payments (a type of supplemental hospital provider rate), reducing allowable state taxes on providers, establishing a new

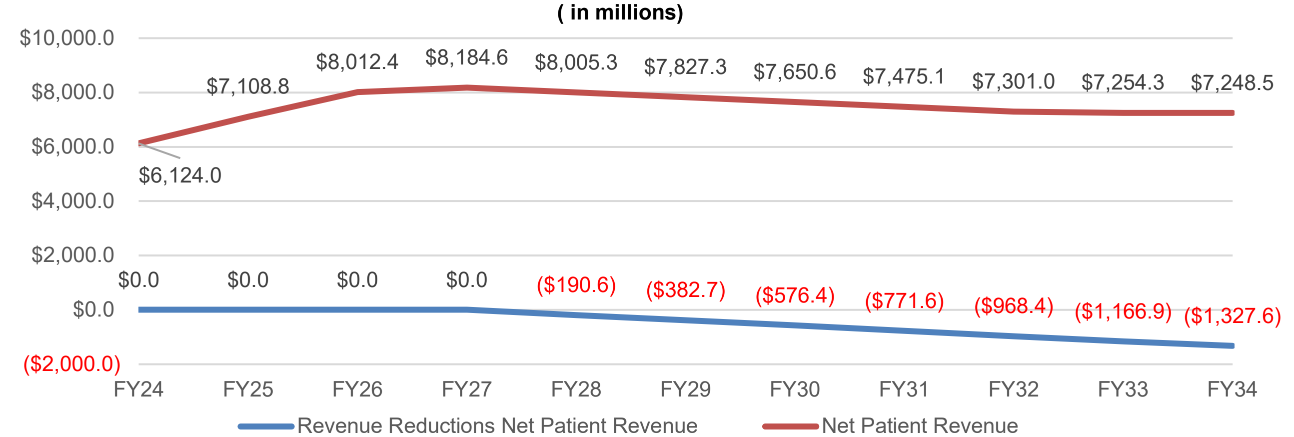
Federal Reconciliation Medicaid Changes Timeline

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 J A S O N D
State Directed Payments to Hospitals	First 10 Percent Reduction Begins January 2028 Subsequent 10 Percent Reduction Each Juanuary 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 for 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 Eligiblity Limited to 1 or 2 months	Begins January 1, 2027									

work requirement for certain adults, requiring Medicaid co-pays for the first time, changing the eligibility redetermination timeline from once to twice annually, limiting retroactive eligibility, and excluding certain immigrants from the program. The changes are expected to lead to a lower health insurance coverage rate, reduced compensation to providers, and ultimately more unpaid care that will have to be absorbed by the healthcare system.

State-Directed Payments and Provider Taxes. HR1 caps on certain provider rates will substantially reduce state support for hospitals. Traditionally, hospitals and Medicaid managed care organizations set their own payment rates, and states could not tell plans how much to pay hospitals. To help cover shortfalls, states often made supplemental payments to hospitals, sometimes unrelated to actual patient use. In 2016, the federal government began phasing out these "pass-through" payments and allowed states instead to make state-directed payments to hospitals through the managed care organizations. States used this flexibility more during the pandemic to support hospitals. Traditionally, Medicaid limited hospital payments to the Medicare upper payment limit. More recently, federal rules have allowed state-directed payments at the average commercial rate, often higher than Medicare's rates.

Hospital Net Patient Revenue Reduction Projection Based on HR1 and State-Directed Payments FY24-FY34
(in millions)



Source: LFC Analysis of 2024 Hospital Cost Reports (HCA)

Along with many other states, New Mexico took advantage of the changes by enacting the Health Care Delivery and Access Act, which instituted a new provider tax on hospitals that would be matched with Medicaid revenues and sent back to the hospitals in the form of a directed payment, bringing hospital compensation up to the average commercial rate. The arrangement, starting at the end of FY25, is expected to increase hospital compensation by about $1.1 billion annually.

HR1 will gradually bring much of this to an end by capping the total payment rate for inpatient hospital services at 100 percent of Medicare for states that expanded Medicaid eligibility under the Affordable Care Act, although it grandfathers in existing directed payments. Grandfathered payments will be reduced by 10 percent per year starting in January 2028 until they reach 100 percent of the Medicare payment rate.

The bill also prohibits new state taxes on providers, although, similar to the provider cap, it allows existing taxes but requires they be reduced by 0.5 percent per year until they reach 3.5 percent. New Mexico's current provider tax is set at about 6 percent of revenues.

Medicaid Work Requirements. HR1 also created new community engagement requirements for people enrolled in Medicaid in the adult "expansion" population, so-called because it is the adult population states could opt to cover under the federal Affordable Care Act. Adults between the ages of 19 to 64 will now be required to enroll in a qualifying activity for 80 hours per month. Qualifying activities include work, work programs, community service, education, or any combination thereof. The bill also includes certain exemptions for guardians of a child under 14 years of age, Native Americans, the medically frail, and those with chronic or other conditions, such as substance use disorders, disabling mental disorders, and developmental disabilities. The work requirement starts in January 2027, but provisions may allow the state to delay this start date.

Medicaid Enrollment. These policy changes are expected to lead to a decrease of approximately 80 thousand enrollees in Medicaid, according to an analysis conducted by the Kaiser Family Foundation. However, the reduction should be considered in light of the pandemic and disenrollments that occurred after the federal government unwound many of the pandemic emergency provisions that loosened enrollment. In March 2023, Medicaid enrollment peaked at just over 1 million enrollees. As of September 2025, there were 807 thousand enrollees, nearly a 20 percent decrease in enrollment.

Health Insurance Exchange

In addition to congressional actions on Medicaid in HR1, congressional inaction on subsidies for those who buy health insurance through state exchanges will mean some buyers' out-of-pocket costs will increase, some by as much as 200 percent. The federal government enacted the Affordable Care Act in 2010 for states to establish health insurance marketplaces, called exchanges, and subsidize costs for certain purchasers through the advanced premium tax credit. During the pandemic, an enhanced premium tax credit was enacted as a part of the American Rescue Plan Act, and the credit was subsequently extended by the Inflation Reduction Act. The enhanced credit was more generous than the original for all buyers and expanded the subsidy to higher income houses—those with an income greater

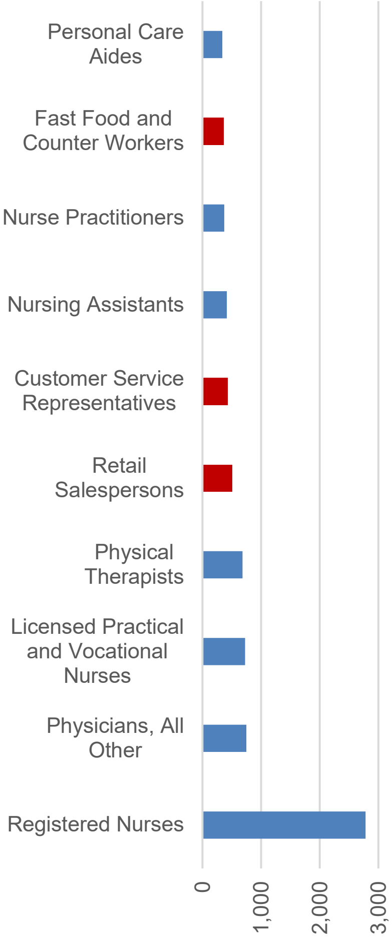
EVALUATE: Health Care Affordability

Legislation enacted in 2021 raised the health insurance premium surtax from 1 percent to 3.75 and directed this revenue to the health care affordability fund (HCAF). The HCAF is to be used to improve healthcare affordability through insurance premium reductions, cost-sharing subsidies, and expanded coverage for uninsured populations. A **2025 LFC evaluation, on the fund** required by the enabling legislation, found the health premium surtax generated $136 million for the HCAF annually from January 2022 to July 2025 and is projected to generate roughly $220 million annually through FY29.

The HCAF revenue has far exceeded demand for health insurance subsidies, even as HCA expanded the subsidies to individuals with higher income levels. Between FY22 and FY25, the HCAF ended the fiscal year with an average of $146.6 million in reserves. In response, the Legislature has tapped unused HCAF balances for other health initiatives aligned with the fund's purpose.

Among those uses is the possible replacement of enhanced federal health insurance subsidies scheduled to expire at the end of 2025. Should Congress fail to extend the enhanced subsidies and the HCAF be used to pay them, the HCAF could face a sharp rise in costs—estimated between $72 million and $189 million through FY28. The evaluation recommended better performance measures, target setting, and performance monitoring to ensure the HCAF serves its intended purpose.

Top 10 Online Job Postings in NM
June 2025



Source: Workforce Solutions Department, Downloaded June 2025

Endowed Faculty Appropriations

The Legislature appropriated $170 million in endowment investments from FY23 through FY25 to increase the number of faculty and boost capacity at nursing, teacher education, and social work programs. The envisioned capacity growth from these endowment appropriations has not yet materialized. Colleges and universities earned $10.7 million in investment gains as of late FY25 but only spent $2.5 million on faculty salaries. The endowment appropriations were sufficient to fund 20 additional nursing faculty and 39 additional social work faculty Instead, FY25, colleges and universities supported only 13 nursing faculty (a 6 percent increase above FY23 capacity) and 13 social work faculty (a 32 percent increase).

than 400 percent of the federal poverty level, or $128.6 thousand annually for a family of four. The enhanced credit requires individuals or families to contribute 8.5 percent of their income toward the cost of health insurance premiums, and the tax credit covers the difference between the 8.5 percent and the cost of the premium. If Congress does not make changes, the enhanced credit will expire at the end of 2025.

To maintain the enhanced subsidies for people with incomes below 400 percent of FPL, during the 2025 legislative session the Legislature appropriated $30.9 million. To maintain the enhanced subsidies for people with incomes above 400 percent of FPL during the 2025 first special legislative session, the Legislature appropriated $17.3 million to the Health Care Authority from the health care affordability fund. However, this amount is expected to only cover half of FY26, and the authority is expected to request at least double this amount to cover all FY27.

Healthcare Workforce

New Mexico continues to face a critical, chronic shortage of health professionals across the disciplines, particularly in rural areas. Thirty-two of New Mexico's 33 counties are designated as health professional shortage areas (HPSAs) in primary care, behavioral health, dental health, or a combination of these three. In June 2025, 82 percent of online job postings were for health and personal care and 48 percent of those were postings for registered nurses and physicians.

Several factors are contributing to the shortage. New Mexico has an aging population, both in terms of residents needing more care and the current workforce itself. Nearly 40 percent of the state's physicians are age 60 or older and many are expected to retire by 2030. Low population density in rural and frontier regions makes it harder to recruit and retain providers, and long distances make seeking care more challenging.

Physician Shortages. The primary care physician workforce is older than other occupations, which means higher rates of providers will be leaving the labor force in the coming years. Moreover, providers are poorly distributed with practitioners concentrated in urban areas. Workforce projections indicate, by 2030, New Mexico will need 1,200 additional physicians across all specialties, with 370 in primary care. However, an anticipated growth in the number of physician assistants and nurse practitioners may help to offset the need for primary care physicians.

Workforce Investments. The Legislature has made significant investments to increase the number of providers in New Mexico, including increased funds for Medicaid provider reimbursements, significant appropriations for health professional loan repayment, and funding for endowed faculty positions in nursing and social work at public postsecondary institutions. However, whether these investments are improving recruitment and retention of providers at the rate needed is unclear. Loan repayment incentives are well below those of neighboring states and endowed faculty positions have not yet fully developed their capacity to increase nursing and social work graduates in the state.

Public Health

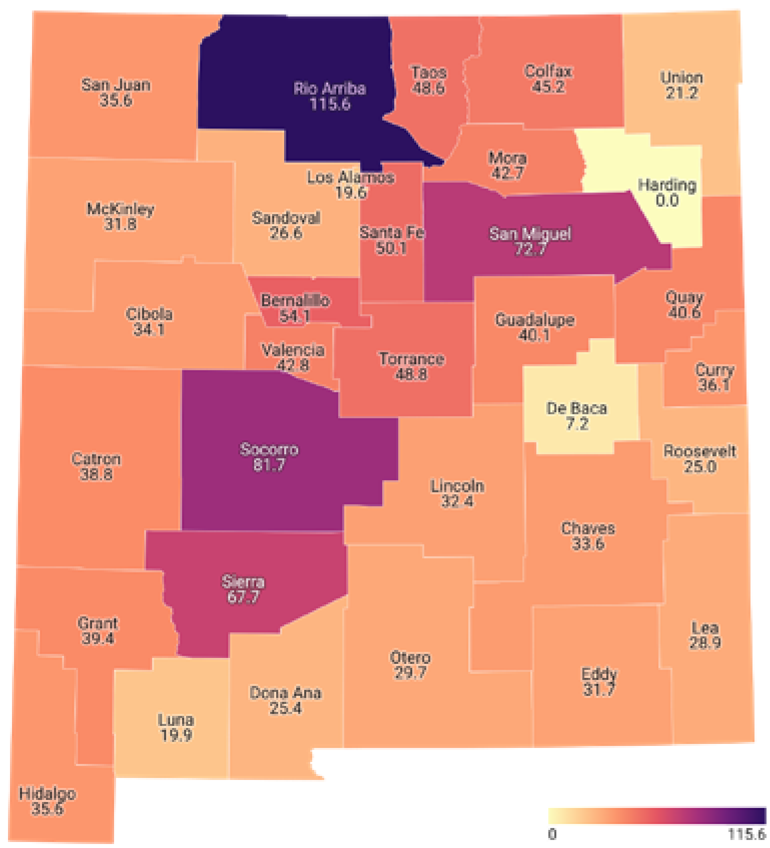
Public health offices operated by the Department of Health (DOH) are in almost every county in the state except Catron and Harding and serve as a convenient interface between the agency and the public for broad health interventions, as well as a safety net to deliver health services to the most vulnerable populations. However, public health offices have been underutilized and have not matched modern health needs.

Health Indicators

Immunizations. Despite a well-publicized measles outbreak, child immunizations are down. In February 2025, DOH issued a health order regarding the first measles outbreak in the state since 1996. Health officials reported a total of 100 cases in nine counties with one death. The outbreak exemplified the need for local public health offices to be responsive to local conditions, and DOH implemented a marketing campaign specific to measles immunizations. Despite DOH's widespread campaigns for various immunizations, the department reports a decrease in the percentage of the population receiving immunizations and vaccinations. At the end of FY25, DOH reported 67.2 percent of preschoolers ages 19 to 35 months were fully immunized, a 6 percent decrease from FY24. Additionally, DOH reports an increase in student vaccination exemptions. In 2019, there were 4,770 student vaccination exemptions compared to the most up-to-date report in 2023 of 5,334 exemptions, a 12 percent increase.

Substance Use Disorders and Overdose Deaths. The United States is experiencing an opioid crisis, with New Mexico suffering the fifth-highest overdose rate in the nation in 2022. New Mexico's death rate from drug overdose has outpaced the national rate consistently since at least 1999. However, the gap between New Mexico and national rates widened from 2019 to 2022, according to the most recent available data. In 2022, the death rate per 100 thousand persons for New Mexico was 49, more than 50 percent higher than the national rate of 32.4. In terms of raw numbers, New Mexico saw a significant increase in overdose deaths from 2017 through 2021, followed by modest decreases in 2022, 2023, and 2024.

Overdose Deaths by County
2019-2023
(per 100 thousand)



Note: 2023 is the most recent year for which DOH published county-level overdose-related death rates.

Source: DOH, UNM-GPS

New Mexico's rate of substance use disorders (SUDs), like its rate of overdose deaths, exceeded the national average in 2022, and New Mexicans received treatment for SUDs at a slightly higher rate than the United States. SUDs occur when the recurrent use of alcohol or drugs causes clinically significant impairment, including health problems, disability, and failure to meet major responsibilities at work, school, or home. Drug use as defined by the survey may include the use of marijuana (including vaping), cocaine (including crack), heroin, hallucinogens, inhalants, or methamphetamine in the past year or any use (i.e., not necessarily

EVALUATE: Medication-Assisted Treatement in Public Health Offices

While the Health Care Authority estimates 9,000 New Mexicans need (MAT) services, DOH's public health offices have treated just 324 individuals, with most local offices having served fewer than 10 patients.

An LFC program evaluation found underutilization of critical health resources, such as MAT in DOH's public health offices. Since May 2024, the treatment has been available at more than 30 of the state's 52 public health offices. MAT is available through private providers who provide the majority of MAT services, delivering MAT through public health offices potentially brings treatment physically closer to almost every New Mexican. Notably, public health offices providing MAT prescribe the medications, which then must be filled at a pharmacy. But while this additional step is a barrier, potential patients can now find treatment in their own local communities and can walk in the door for treatment at any public health office without worrying about cost, insurance, or Medicaid status.

misuse) of prescription pain relievers, tranquilizers, stimulants, or sedatives in the past year. Nearly 24 percent of New Mexicans have SUDs, and over half of those are opiate or alcohol use disorders.

Early data for 2025 collected by DOH show increases in the distribution of naloxone and buprenorphine prescriptions, medications approved by the Food and Drug Administration for detoxification from opioids and maintenance therapy for opioid use disorder. In the first half of 2025, over 34 thousand units of naloxone were jointly distributed by DOH, the Health Care Authority and Medicaid, a 46.5 percent increase from the first half of 2024. Buprenorphine prescriptions statewide have increased by 7 percent within the last year. Despite greater distribution of opiate detoxification medications and preliminary federal data of decreases of total overdose deaths in the state, DOH reports a significantly higher number of deaths related to opiate drug overdose, particularly in northeast New Mexico.

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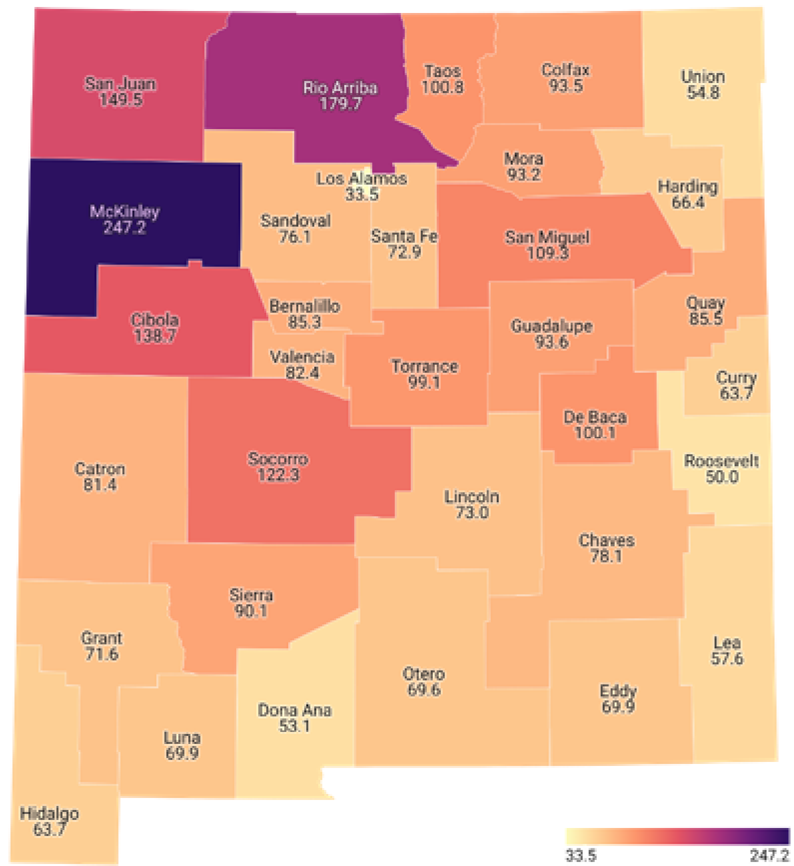
Overdose deaths surged in early 2025—up 48 percent in Rio Arriba County, 104 percent in Santa Fe County, and 340 percent in Taos County—prompting the governor to deploy the National Guard in these areas via executive orders to address these public health crises. DOH reports most fatalities stem from increased fentanyl potency, followed by methamphetamine and cocaine use. Overdose-related emergency department visits have also increased, particularly in these three northeast counties. Using funding the Legislature appropriated in 2024, DOH purchased five mobile health units to expand treatment access; however, the units remain unequipped and lack approval to provide medication-assisted treatment or administer overdose reversal drugs.

Alcohol-Use Disorder. Alcohol-related deaths in New Mexico have increased in recent years and were more than double the national average in 2023 and the highest among all states. The New Mexico Substance Use Epidemiology Profile from 2024 finds that one in five deaths of working-age adults (ages 20-64) in New Mexico is attributable to alcohol. This is twice the national rate. From 2017 to 2021, the alcohol-related death rate in New Mexico was 83.2 per 100 thousand. Nationally, in 2021, the rate was 47.9 per 100 thousand. This rate includes deaths due to chronic diseases from chronic heavy drinking and alcohol-related injuries. McKinley and Rio Arriba counties had the highest rates of 235.9 per 100 thousand and 161.6 per 100 thousand, respectively, both more than twice the state rate. Over 200 thousand individuals in New Mexico, or 12.2 percent of the state's population, were estimated to have alcohol use disorder according to the 2022 National Survey on Drug Use. Alcohol use disorder is preventable through initiatives aimed at reducing excessive alcohol consumption, such as preventing youth use, implementing alcohol use screening tools, and improving access to healthcare and treatment options.

Alcohol-Related Deaths by County
2019-2023
(per 100 thousand)



Note: 2023 is the most recent year for which DOH published county-level alcohol-related death rates.

Source: DOH, UNM-GPS

Harm Reduction. Despite the underutilization of MAT services and decreases in overall immunizations, the state's public health offices have seen success in its harm reduction program. The program contracts with community-based organizations and local public health offices to implement syringe services, naloxone distribution, adulterant testing, education, and sexually transmitted infection testing. DOH's harm reduction program provides education, equipment and referrals to reduce the harms associated with substance use disorder. The department saw higher than normal enrollment in the harm reduction program, with over 21 thousand new clients enrolled in FY25, an increase of 23 percent from the prior fiscal year. The department reports the increase in enrollment is most likely due to the need to access syringes, cookers, and tourniquets based on the changing drug supply, leading clients toward injectables rather than pills, as well as increased requests for naloxone.

The harm reduction program saw higher positive outcomes, specifically regarding successful overdose reversals in the program. A successful overdose reversal is when someone has survived an opiate overdose due to the immediate administration of naloxone during the episode. A rise in successful overdose reversals is most likely attributed to easier access to naloxone, public awareness surrounding the use of naloxone, and increases in DOH, HCA, and pharmacies distributing more naloxone. DOH reports over 5,000 successful overdose reversals through the harm reduction program, compared to the 3,000 reversals in the previous year. Despite higher distribution of naloxone by DOH and other entities, New Mexico continues to see increases in overdose deaths related to opiate use.

Vulnerable Populations

For more info:

Aging and Long-Term Services Department Performance
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Aging

By 2030, New Mexico will have the fourth largest population over 65 years of age, meaning one in four New Mexicans will be 65 years old or older. This includes a high growth in the state's elder veteran population. In the 2020 Census, seniors accounted for 18 percent of the population, with many living in rural or frontier areas where access to healthcare is limited.

Long-Term Care. In the 2024 General Appropriation Act, ALTSD received $9.3 million from the government results and opportunity fund, to be divided across

FY25, FY26, and FY27 for its New Mexicare program pilot. The pilot project provides financial assistance and training to caregivers who are assisting friends or family members with daily activities due to physical or cognitive disabilities. The goal of the program is to allow older adults to stay at home as an alternative to nursing home placements and to help reduce emergency department visits. ALTSD will use Doña Ana County as its control group to measure the program's effectiveness by measuring a cohort of un-enrolled but eligible individuals who reflect similar demographic characteristics and geographics as the enrolled group. Of its $3.1 million appropriation for FY25, the department reverted $2.3 million, or 73 percent, for the first year of New Mexicare. However, despite reverting most of the funding, the department reports preliminary data showing that 93 percent of 29 participants in the pilot project had no nursing home admissions within three months of enrolling, and 67 percent had no emergency room visits within nine months. ALTSD has hired seven full-time employees dedicated to the program and saw a reduction in the average time to enroll from 90 days to 45 days. The department shows promise of expanding the program in FY26 and FY27 as it continues to revise standard operating procedures.

ALTSD also received $4 million for a three-year pilot in five to seven counties to provide support to grandparents caring for children of relatives or with whom they have a relationship like a relative. Participants will work with community organizations to access public assistance and other support services. However, as of October 2025, ALTSD has not budgeted the $4 million for this pilot project.

Services for People with Developmental Disabilities. Between FY22 and FY24, the state eliminated the waiting list for Medicaid community and in-home services for people with developmental disabilities and allocated about 2,500 people to the waiver program. Prior to the effort it could take up to 12 years to enter the program, a burden on families and other services. When individuals are brought into the program, it typically takes a year or more for them to start spending the total amount available to them as they and their caregivers learn more about the services offered. Because of this, the Health Care Authority is projecting higher utilization among the population of 2,500 brought into the program in the coming years, causing higher costs. However, the Legislature appropriated funding for the new enrollees at the average annual rate for all enrollees, knowing enrollees would need sustainable funding once budgets were fully utilized.

Economic and Workforce Development

Recognizing that a skilled workforce, accessible infrastructure, and a favorable business climate are fundamental to sustaining business growth, the Legislature has made substantial investments in new and existing programs to strengthen the state's long-term economic stability. Targeted investments in New Mexico's key industries enable the state to allocate limited resources strategically to sectors where it holds a competitive advantage and can achieve the greatest economic impact. However, despite ongoing investments, New Mexico continues to rank among the lowest states in per capita personal income, though it is improving at a faster rate than the national average, and maintains a persistently low labor force participation rate. LFC economists also project the state's economy will expand at a slower rate than the U.S. economy overall.

New Mexico's gross domestic product (GDP) grew 6.2 percent year-over-year in 2024. The largest contributors to the state's GDP include oil and gas extraction, real estate, professional and technical services, and state and local government. Over the past fiscal year, New Mexico's total nonagricultural employment increased by 25.2 thousand jobs, or 2.9 percent. The strongest year-over-year job growth occurred in mining and construction, financial activities, education and health services, and government. Economic diversification remains a top priority to create more opportunities for residents, stabilize government revenues, and improve per capita income. Focused workforce engagement efforts targeting both the youth and adult populations to increase labor force participation will support economic diversification and growth and reinforce its attendant benefits for New Mexicans.

Efforts to Boost Economic Development

As the hub for economic development in the state, the Economic Development Department (EDD) is responsible for directing public resources where they are most needed, developing tools for businesses, and ensuring business incentives are consistently and effectively allocated to equip New Mexico to succeed in a rapidly shifting economy. Many of the agency's recent efforts were steered by the 2021 statewide strategic plan outlining key target industries and recommendations to address challenge areas. Since the release of the plan, the Legislature and EDD have taken steps to prioritize growth in the target sectors, including significant increases in the agency's operating budget to support additional programs, staffing, and a new research, development, and deployment fund.

Recognizing the need to help businesses relocate, establish, or expand more quickly in New Mexico to encourage economic growth, the state has focused on strengthening and facilitating infrastructure to support economic development. These efforts include increasing funding for existing programs, like the Local

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2025 Economic Development Strategic Plan Update

During the second quarter of FY25, EDD released this year's update to the *Empower and Collaborate* state plan. The plan updates recommendations from the original plan, 40 percent of which have been completed; sets new goals; and overviews key initiatives, such as enhancing data management and visualization, site readiness, and identifying the state's competitive advantages. The report also provides recommendations for supporting extractive communities and maximizing federal funding opportunities. This is the first time the state plan has been updated by in-house staff.

Share of Employment in Target Industries

Target Industry	% of Emp.
Aerospace	3.6%
Intelligent Manufacturing	1.8%
Outdoor Recreation	1.4%
Global Trade	0.8%
Cybersecurity	0.5%
Biosciences	0.5%
Sustainable and Value-Added Ag	0.4%
Sustainable and Green Energy	0.4%
Film and Television	0.3%

Source: US BLS

Economic Development Act (LEDA), and launching new initiatives, such as the site readiness program and the Trade Ports Development Act.

Evaluating Economic Development Incentive Programs

A notoriously persistent difficulty in both administering and evaluating economic development incentive programs is commonly called the "but for" question: would the job have been created (or would the company have expanded, etc.) regardless of the incentive?

One notable study of the "but for" problem was conducted in 2018 by economist Timothy Bartik, who performed a meta-analysis of 30 different studies of such incentives, and concluded, "For at least 75 percent of incented firms, the firm would have made a similar location/ expansion/ retention decision without the incentive."

FY24 State Economic Development Incentives
(in thousands)

Program/Incentive	Spending	Share
Sales to Manufacturers GRT Deduction	$200,788	32%
Film tax credit	$102,166	16%
Manufacturer's CIT apportionment	$104,401	16%
Sales of Services to Manufacturing	$84,098	13%
LEDA	$30,500	5%
LEDA GRT distributions	$23,084	4%
JTIP	$27,825	4%
TIDDs (4 statewide)	TBD	TBD
Medical supplies GRT deduction	$19,600	3%
Technology jobs & R&D credit	$11,191	2%
High-wage jobs tax credit	$11,185	2%
Aircraft sales GRT deduction	$4,273	1%
Investment credit	$3,615	1%
All other 10 tax incentives	$14,271	2%
Total	$636,997	

Source: TRD, LFC Files

For more info:

Tourism Department Performance
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Infrastructure

The state has a variety of tools to support infrastructure development. EDD administers several infrastructure development programs, including LEDA, site readiness, Trade Ports Development Act, the Trails+ program, and MainStreet.

During the 2025 session, the Legislature enacted the Trade Ports Development Act and appropriated $50 million of one-time funding to the trade ports development fund, creating one of the largest state economic development subsidies. Criteria for trade ports projects include cost-effectiveness and financial feasibility, technological feasibility, projected timeframe, and projected impact on economic development. To match job creation with LEDA, the Trade Ports Development Act would need to create 6,700 new jobs each year, about one-third of the entire wholesale trade industry and about one-third of total statewide employment growth in 2023.

Site Selection and Readiness. Companies evaluate potential locations for expansion, relocation, or new operations to identify those most aligned with their operational, financial, and strategic goals. Key factors in site selection include workforce characteristics, access to logistics infrastructure, environmental and permitting requirements, and utility capacity. A site's features directly influence the investment required to establish operations—the more improvement needed and permitting required, the higher the cost of the expansion. Recognizing the need for the state to have a portfolio of diverse properties suitable for industry needs, the Legislature passed the Strategic Economic Development Site Readiness Act, which creates a mechanism for EDD to identify, assess, and prepare sites for business development. The Legislature appropriated $24 million to the site readiness fund for expenditure over the next three fiscal years.

Electricity Demands. New Mexico's electricity use continues to rise, and although residential electricity use has declined, industrial demand has grown among the state's three investor-owned utilities. Projected demand places pressure on utilities to meet growing energy needs, likely requiring significant investments for capital improvements. Additionally, the pace and approval of infrastructure development is influenced by regulatory, interconnection, and permitting processes. The Public Regulation Commission (PRC), responsible for reviewing and approving electric utility rates, projects, and infrastructure plans, is allowed up to 15 months to act on requests for new utility construction. To address project delays and increasing demand associated with economic development, the Legislature amended state law (Chapter 71, Laws 2025) to authorize electric and gas utilities to offer special rates designed to attract, retain, or expand businesses in New Mexico, provided those rates at least recover the incremental cost of service, regardless of available capacity. To streamline regulatory processes, the legislation also requires PRC to act within six months on utility requests for special rates related to certified projects. The overall intent is to strengthen utility infrastructure to support industrial and commercial growth by expediting regulatory timelines.

The Legislature also enacted a second major bill establishing a legal framework for private and industrial microgrids to operate either independently or in coordination with public utilities. The law effectively allows large, energy-intensive industries to develop their own power infrastructure, with the option to connect to or sell power to an investor-owned utility. This legislation aimed to alleviate capacity constraints that threaten delays for economic development projects.

Local Economic Development Act. One of the state's most well-known infrastructure programs is LEDA, which passes state funding through local governments to new and expanding businesses for land, building, and lease costs. LEDA effectively acts as the state's "closing-fund" for new and expanding businesses. The Legislature has appropriated substantial funding to LEDA, totaling $215.7 million since FY20. LEDA is a relatively flexible program with few guardrails for prioritizing awards—EDD has the decision-making power to determine which projects receive funding and the level of any funding. The only limits within statute are that only "qualifying entities" and projects that create full-time economic base jobs can receive state funding. Qualifying entities include manufacturers; commercial enterprises for storing or selling agriculture, mining or industry products; restaurant and lodging establishments; metropolitan redevelopment project developers; and cultural facilities.

One-Time Appropriations Related to Technology and Innovation Division
2025 Legislative Session

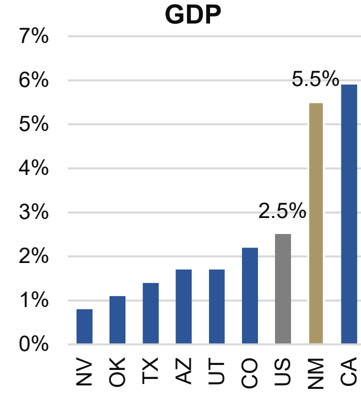
Research, development & deployment fund	$40,000
Talent recruitment in science & tech fields	$10,800
Quantum venture studios	$10,000
Quantum space	$10,000
Advanced energy award pilot program	$8,000
Innovation hubs	$5,000
Incubators and venture studios	$5,000
Science and technology business startup grants	$4,000
Total	**$92,800**

Source: LFC Files

Science and Technology Sectors

The Legislature has made significant efforts to support science and technology industries aligned with EDD's strategic plan, recognizing that, with limited resources, the state must focus on policy interventions and industries with the greatest potential impact. New Mexico has a strong base for a science and technology ecosystem, including three national research labratories and the state's research universities. Based on a recent LFC industry cluster analysis, New Mexico holds a competitive advantage in the education and knowledge cluster, which includes colleges, universities, research institutions, and training providers. These sectors also offer above-average wages and have strong regional diversity. However, the state is still working on fully capitalizing the various components to maintain and strengthen the science and technology ecosystem. With recent investments, the Legislature has prioritized supporting technology commercialization, resources for enterpreneurship, funding for research and development, and various grants for advanced energy, quantum, biosciences, and aerospace.

Research and Development Contribution to State GDP



Source: U.S. Bureau of Economic Analysis

Combined employment in the science and technology target industries make up 6.6 percent of New Mexico's total employment. Between 2023 and 2024, employment in science and technology target industries grew by 6,000 jobs, or 11.6 percent. However, EDD's science and technology target industries demand advanced skills, and New Mexico's workforce lacks the training to meet those needs. In its strategic plan, EDD compared state and national job shares and found shortages in key roles needed by industry. These skill gaps contribute to underemployment, hiring challenges, and hinder business attraction.

Research and Development in New Mexico

In 2023, research and development activity accounted for 5.5 percent of New Mexico's gross domestic product (GDP), more than double the national average of 2.5 percent and an increase of 10 percent over 2022. Growth was driven primarily by the information sector and federal defense activity. New Mexico ranks among the top states for research and development share of GDP, just below California, Washington, and Massachusetts.

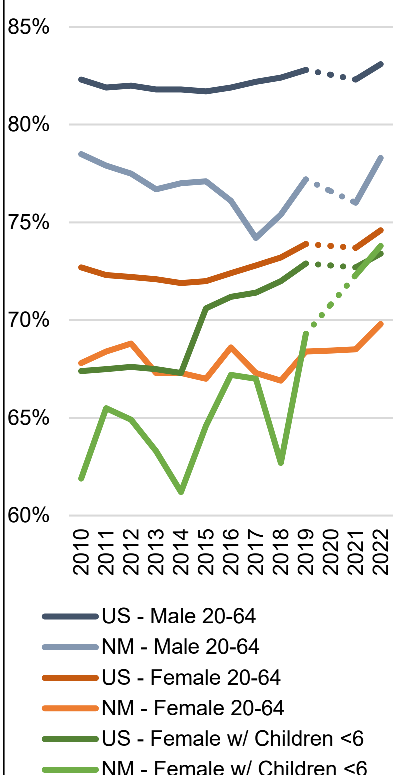
Focusing on Workforce Engagement

For the past several years, EDD's strategic plan has noted the state experiences challenges in attracting and retaining talent, and the state's population growth and labor force growth lag behind that of other states. For example, the 2025 strategic plan notes, from October 2023 to October 2024, annual employment growth of

For more info:

Workforce Solutions Department Performance Page 133

Labor Force Participation by Gender for U.S. and New Mexico, 2010-2022



Note: No data was collected during 2020. Dotted lines represent an extrapolation between 2019 and 2021 data.

Source: American Community Survey 1-Year Estimate Subject Table S2301.

1.3 percent in the state meaningfully lagged that in other states in the region, such as Colorado, Arizona, Texas, and Utah with growth around 2 percent. The plan also notes, across the state's regional economic development plans, workforce development stands out as a crucial challenge to improving local quality of life while attracting new investment.

New Mexico needs an aligned and functioning cradle-to-career system to develop and sustain a workforce that supports the state's long-term economic goals. A successful system requires coordination among secondary and higher education, workforce development, and EDD. Schools, colleges, and universities play a critical role training workers and connecting those workers to industry. However, the state faces several challenges. New Mexico's four-year high school graduation rate is only 78 percent, college completion rates remain low, and the state continues to be net exporter of college graduates. Additionally, New Mexico's workforce skills do not align with the needs of key industries. EDD's target industries generally require advanced skill levels in science, technology, engineering, and math (STEM). Education in New Mexico must ensure the state's workforce has the skills required to meet advanced-skill industry needs.

The Workforce Solution Department (WSD) also plays an important role in connecting workers to industry. WSD is responsible for bringing disengaged adults into the workforce and, in recent years, has been appropriated funding to reach the disengaged youth population as well. As the administrator of unemployment insurance claims, WSD is best positioned to facilitate reemployment and prevent workers from becoming disengaged in the first place. However, the agency has experienced mission creep over the last several years, devoting significant time and energy to other efforts, including the allocation of housing funding, the administration of appropriations for employment in non-extractive industries, and the exposure of youth to STEM employment opportunities. While all are necessary components of fostering an aligned and engaged workforce, WSD's focus should be more specifically aligned with its role in working with the unemployed and disengaged labor force.

Without both an aligned and engaged workforce, New Mexico risks exporting residents to states with better connected institutions and losing employers to states with better trained workers.

Persistently Low Workforce Participation

Although unemployment in New Mexico remains below prepandemic levels and employment levels exceed prepandemic numbers, the state continues to experience a persistently low labor force participation rate (LFPR), the share of the working age population who is working or looking for work. A disengaged labor force precipitates lower statewide per capita income, creates a sustained need for costly social programs, and can be damaging to family formation and cohesion.

The state's relatively low unemployment rate, 4.2 percent in July 2025, suggests a tight labor market but does not provide a full picture because many New Mexicans are persistently disengaged from the labor market. Unemployment only captures people who want to be in the labor force and are actively looking for work, not those who are not employed and not looking for work. The state's LFPR has improved from the pandemic low, but the state's LFPR of 57.8 percent in July 2025 remains almost 5 percentage points below the national average and meaningfully below the LFPR of other states in the region. Notably, between 2019 and 2023, the LFPR worsened among men in New Mexico, with a pronounced 15.7 percent decline in the rate for men 20-24 years old. A 2024 Legislative Finance Committee evaluation found New Mexico would need an estimated 40 thousand additional individuals between ages 20 and 54 working or looking for work to meet the national LFPR average of 62.7 percent.

To increase workforce participation, the National Conference of State Legislatures recommends that states focus on strengthening workforce attraction, retention, and expansion programs. For example, some states are expanding access to higher education and workforce development programs and working on strategies to keep workers in the workforce by improving worker accommodations. Other states have fostered registered apprenticeships, established career pathways, expanded supportive services, and addressed demand in critical industries in targeted ways.

New Mexico has adopted some of these approaches, but existing programs chip away at the edges without dramatically increasing the number of working-age adults participating in the labor force to the level needed to make New Mexico more competitive nationally. The Employment Services Division of WSD, with an operating budget of almost $50 million, oversees the state's network of jobs centers and operates several programs related to the federal Workforce Innovation and Opportunities Act (WIOA), a federal program designed to help job seekers access employment, education, training, and support services.

Opportunities to increase labor force participation include leveraging reemployment programs for adults who are unemployed or not participating in the labor force and targeting youth who are unemployed or disengaged from the workforce. The Legislature provided WSD with a $750 thousand special appropriation in FY26 for a study to identify evidence-based strategies to increase the LFPR. The agency has developed the study with a contractor and anticipates preliminary results in early 2026.

Adult Reemployment. As the administrator of unemployment insurance (UI) claims, WSD is well positioned to assist newly unemployed individuals with reemployment. In fact, WSD receives federal funding through the Reemployment Services and Eligibility Assessment program to use the UI system as an entry point to connect individuals with other workforce system partners, including WIOA programs, and reduce the duration of UI. Since the pandemic, however, WSD has struggled to process UI claims in a timely manner, falling short of performance targets related to determining eligibility and initiating payments. More efficient UI processing would allow WSD to quickly engage recently unemployed individuals and connect those individuals with reemployment services to shorten the period of unemployment and reduce the likelihood of individuals becoming disengaged from the labor force in the long term.

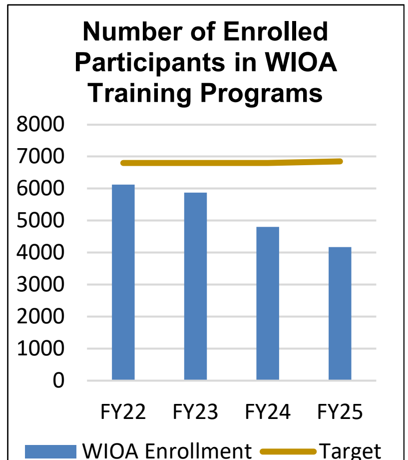
WSD relies heavily on jobs centers throughout the state to provide employment and reemployment services. These job centers and other services, such as case management for recipients of unemployment insurance and other basic career services, target a population at least tangentially engaged in the labor market. However, national research suggests a much larger proportion of working-age adults

2020 New Mexico Cost-Benefit Analysis for Types of Workforce Development Programs

Program Name	Benefit-to-Cost Ratio
Case management for unemployment insurance claimants	$17.20
Training with work experience for adult welfare recipients	$1.66
Job search and placement	$3.54
Work experience	$1.69
Training with work experience for adults, not targeting welfare recipients	$1.47
Case management for welfare recipients or low-income individuals	$0.13
Case management for former welfare recipients	$0.12
Training, no work experience	$0.82
Training with work experience for youth	$0.06

Note: Program costs are based off Washington state costs. This likely is a conservative estimate. Return on investment is calculated assuming adherence to the program models assessed in research articles examined.

Source: Pew MacArthur Results First Model



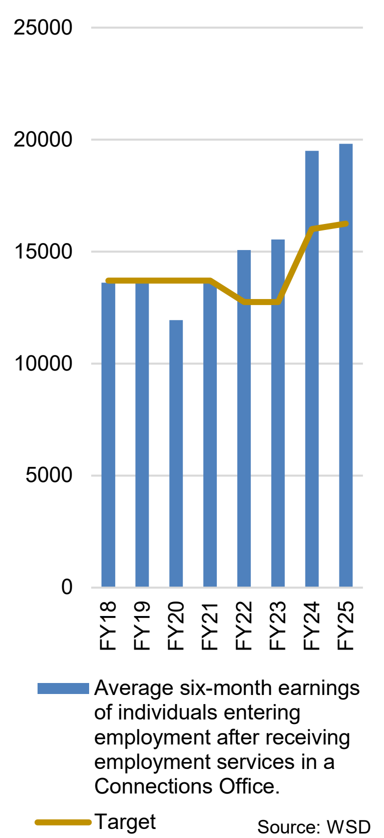
Note: Quarterly cumulative total

Source: WSD

LFC Online: Understanding Government Finances

Finance Facts: Tax Increment Financing

Six-Month Earnings After Receiving Employment Services



not participating in the labor force are systemically disengaged; such individuals are much more difficult to reach with the types of services WSD primarily provides. The 2024 LFC labor force participation evaluation recommended WSD pursue a study of New Mexico's systemically disengaged population to better understand what services and supports could help bring this segment of the population back into the labor force. And, in FY26, WSD received a $750 thousand special appropriation for just such a study. The agency is attempting to reach more of New Mexico's disengaged population with new social service partnerships and programming to improve client outcomes. To make a meaningful impact on New Mexico's LFPR, WSD will need to focus both on preventing individuals from becoming disengaged from the labor force and finding ways to reach already disengaged adults who are not actively seeking their services.

Apprenticeships. Apprenticeship programs combine on-the-job training with related classroom instruction, with the goal of preparing individuals for skilled occupations. Research demonstrates the programs offer benefits for participants, employers, and the state. To receive U.S. Department of Labor approval, registered state programs offer apprenticeships that range between one and five years in length and typically involve 2,000 hours of on-the-job training and 144 hours of classroom instruction. New Mexico has invested in expanding apprenticeship programs and more than 50 programs are now registered in the state. Many of the programs are in trade industries and are well-suited for the young male population for which LFPR has declined in recent years.

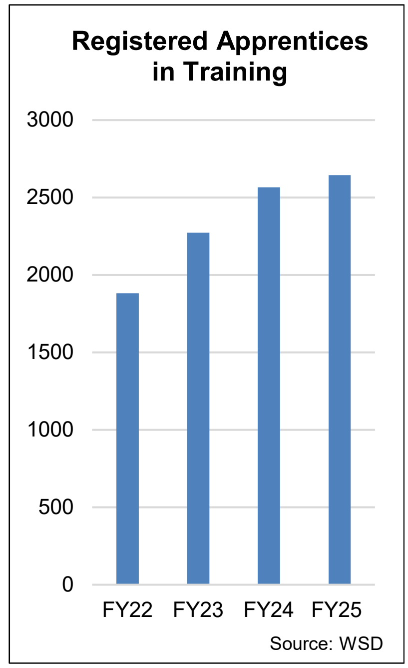
Legislation passed during the 2024 legislative session created the workforce development and apprenticeship trust fund. The Legislature appropriated $30 million to the fund, which distributed $5 million, evenly split between the public works and apprenticeship training fund and Apprenticeship Assistance Act programs in FY25 and FY26, and will distribute $3 million in subsequent years. WSD reports that demand for apprenticeships and participation has increased, and the dedicated funding stream will provide ongoing support for the programs.

Youth Employment and Pre-Apprenticeships. Over 10 thousand young adults between the ages of 16 and 24 are unemployed in New Mexico. Historically, the state has struggled to connect youth with employment, and the state lacks a targeted plan for engaging this group. Research-based youth employment programs for disconnected youth can lead to decreased crime and violence as well as increased earnings. However, WSD has not focused on the implementation of these programs, instead focusing on a career exploration program known as Be Pro Be Proud and a pre-apprenticeship program that operates similarly to a paid internship program for young adults to gain work experience.

Beginning in FY25, the Legislature appropriated government results and opportunity (GRO) funding for WSD to pilot and evaluate pre-apprenticeship programs. In the first year, 574 youth participated in pre-apprenticeships in target industries, including the building trades, education, IT, healthcare, behavioral health, and hospitality. However, a relatively small percentage of participating employers were part of the multi-craft core curriculum (MC3) program focused on skilled trades and designed to transition participants directly into an apprenticeship. The agency has not identified a comparison or control group by which to compare program outcomes for pre-apprenticeship participants. Research from the U.S.

Department of Labor indicates the rate of conversion of pre-apprentices who go on to complete apprenticeship programs can range between 38 and 93 percent, depending on the industry.

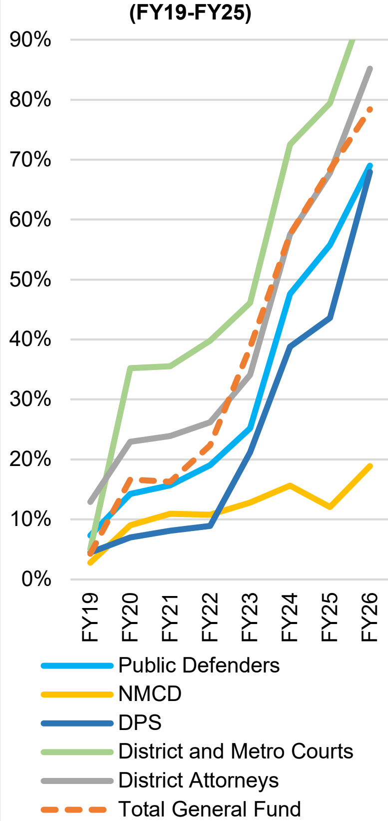
WSD reports targeting pre-apprenticeship recruitment to high school or early college young adults to retain talented workers in New Mexico. This strategy may duplicate existing efforts within the public school system—where $45 million is appropriated for youth career exploration—while leaving a large population of out-of-school, unemployed young adults unserved. In FY26, the Legislature appropriated $500 thousand to perform intensive outreach for out-of-school and at-risk youth. Federal WIOA funding also provides a variety of youth services to low-income youth who are at higher risk of becoming disengaged from the workforce. However, the state has struggled to expend all available federal funds, using an average of only 62 percent of available funding between fiscal years 2015 and 2021. Additionally, New Mexico youth who participated in WIOA tend to have worse employment outcomes than youth in peer states. The available state and federal funding for high-risk youth presents an opportunity for WSD to focus on targeted youth workforce engagement designed to prevent long-term disengagement from the labor market, rather than duplicative programming reaching a population more likely to remain attached to the labor market without intervention.



Job Training Incentive Program. To support workforce alignment, the Economic Development Department's Job Training Incentive Program (JTIP) funds classroom and on-the-job training for newly created jobs in expanding or relocating businesses. EDD has a reoccurring budget of $6.7 million for JTIP, in addition to receiving various one-time appropriations in recent years. In FY25, EDD approved $17.3 million of JTIP funding to train 1,487 employees, a 37 percent decrease compared to the 2,359 employees trained in FY24. The average wage this fiscal year was $25.28, 13.6 percent lower than New Mexico's average wage of $28.99, and an average cost per job of $11.9 thousand. At the end of FY25, the JTIP fund had a balance of $35.5 million, 1.5 percent lower compared to the previous year.

Justice and Public Safety

Judicial and Public Safety Operating Budget Growth vs General Fund
(FY19-FY25)



Source: LFC files

For more info:

[Department of Public Safety Performance Page 153](#)

New Mexico continues to face persistent challenges across its criminal justice system, from high violent crime rates and gun fatalities to uneven access to diversion, pretrial, and reentry services. In response, the Legislature has significantly expanded investments in public safety, judicial capacity, and community-based alternatives to incarceration. Despite these efforts, implementation gaps and workforce constraints limit the full impact of these reforms. The Legislature has worked to examine recent trends, evaluate the effectiveness of current strategies, and identify results-driven justice system outcomes statewide, but more work is needed.

Crime and Public Safety Trends

For years, New Mexico confronted worsening trends in both violent crime and property crime, with gun violence emerging as a persistent challenge. According to the state's "Gun Violence Dashboard," the rate of homicide by firearm rose by about 35 percent between 2019 and 2023 (from 8.2 to 11.1 per 100,000), and overall firearm fatalities increased from 22.3 to 25.3 per 100 thousand. More broadly, from 2014 to 2023, New Mexico saw a 58 percent increase in its gun death rate, pushing the state into the top ranks nationally (4th highest overall gun death rate). In 2024, the state's firearm death rate was estimated at approximately 27 per 100 thousand — roughly 107 percent higher than the U.S. average. Within that, suicides account for a slightly greater share of firearm deaths than homicides.

Statewide metrics on property crime and nonviolent offenses are harder to gauge from public reporting, but Albuquerque, Las Cruces, and other local jurisdictions routinely report upticks in burglary, auto theft, and assaults, although both are down over the past two years. The FBI's traditional uniform crime reporting (UCR) and the newer national incident-based reporting system (NIBRS) continue to show that many jurisdictions struggle to maintain consistent reporting, complicating cross-year comparisons. Notably, about 15 percent of law enforcement agencies still do not report crime data consistently to the Department of Public Safety.

Gun violence occurs unevenly across the state. Urban centers, especially Albuquerque and some parts of Bernalillo County, carry a disproportionate share of firearm homicide incidents. Rural and tribal areas, however, see comparatively higher rates of firearm suicide, as well as instances of domestic or family violence involving firearms. Some counties, such as Chaves, have shown exceptionally high per capita gun death rates (40.9 per 100 thousand in 2024) compared to lower rates in Santa Fe County (17.3). Mass shootings, such as the 2025 shooting in Las Cruces, also reveal that even mid-sized communities are not immune to episodic lethal violence. Road-rage–related firearm incidents are particularly concerning: In 2023, New Mexico led the nation in its per capita rate of people shot in road rage events (6.16 per million).

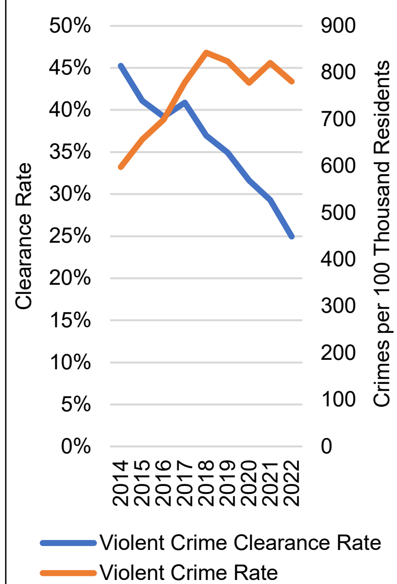
Comparisons with neighboring states yield modest contrasts. For instance, Colorado and Arizona also face rising violence but generally maintain lower gun homicide rates. The per capita incidence of road rage shootings in New Mexico is nearly double that of Arizona (6.16 vs. 3.67 per million). Border states, such as Texas or Arizona, may contend with cross-border crime dynamics, but New Mexico's domestic challenges, including poverty and fragmented policing make it vulnerable.

Investments in Public Safety

The state has made significant legislative and funding efforts to strengthen law enforcement capacity, but the results have been mixed. In 2023, the Legislature allocated $57 million to support recruitment and retention for local policing agencies, adding to a $50 million appropriation in 2022. The law enforcement protection fund continues to provide resources to municipal, county, tribal, and higher education agencies to help retain experienced officers. However, state police vacancy rates still hover around 13 percent despite increased salaries. The state forensic lab also experiences high, although decreasing, vacancy rates and a backlog in sexual assault kit processing. Funding has increased, but limitations in human resources and system infrastructure continue to hinder full effectiveness.

The Legislature has also appropriated resources to bolster violence intervention programs, gun buyback events, and community-based violence interruption initiatives, particularly in Bernalillo County. The Violence Intervention Program (VIP) was established at the Department of Health (DOH) in 2022 as part of a broader public safety and health strategy. This program was designed to address firearm violence through a public health lens, aiming to reduce shootings and retaliatory violence by connecting individuals at risk with services and support. Funded initially through appropriations supported by the Legislature, the VIP uses hospital- and community-based intervention models proven effective in other states. Statutory changes have included the enactment of the Extreme Risk Firearm Protection Order Act (Laws 2020, Chapter 5), allowing for the temporary removal of firearms from individuals deemed a threat to themselves or others, and enhanced penalties for gun use in the commission of violent crimes. In 2023, lawmakers expanded safe storage requirements for firearms and clarified criminal penalties for prohibited individuals who possess firearms.

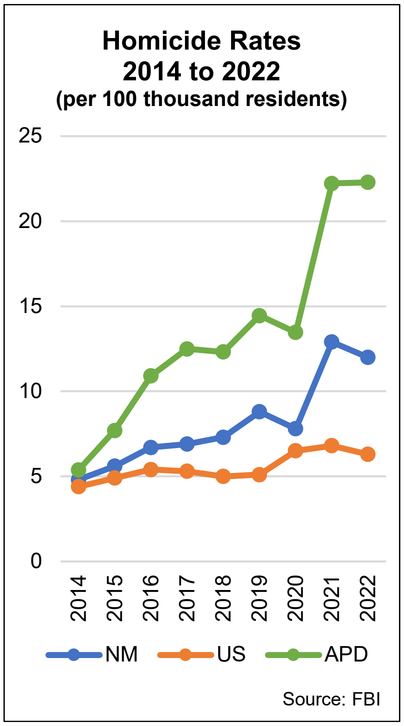
New Mexico Violent Crime Rate vs. Violent Crime Clearance Rate



Source: FBI, LFC files

Effective policing in New Mexico increasingly relies on strategies that combine targeted enforcement with community engagement and data-driven decisions. Focused deterrence, also called problem-oriented policing, has shown promise by targeting a small group of high-risk individuals or locations. When law enforcement pairs enforcement with support services—such as social work or intervention programs—communities often see significant drops in violence. Similarly, hot-spot policing, which directs resources to high-crime micro-areas, improves deterrence without needing widespread saturation patrols. These targeted strategies can be especially effective in urban areas like Albuquerque, where crime tends to be geographically concentrated.

Other approaches focus on building trust and transparency. Community policing efforts, which involve officers engaging directly with neighborhoods and fostering relationships with local organizations and residents, can improve reporting, cooperation, and crime resolution. Simultaneously, data and technology are



essential: Tools like predictive analytics, real-time crime centers, and interagency data sharing enable faster responses and more intelligent deployments. Additionally, some jurisdictions have begun formalizing non-police crisis responses. Albuquerque's Community Safety department, for example, now manages most behavioral and mental health calls, reducing law enforcement's workload and helping de-escalate noncriminal emergencies.

To support these efforts across the state, particularly in rural and tribal communities, local investment is essential. State and federal subsidy programs that help agencies afford personnel, training, and equipment not only stabilize departments but also make policing more responsive to the unique conditions of each community. As the state continues to expand these models, sustained local investment and systemic coordination will be key to their long-term success.

Judicial System Capacity and Performance

Swift and certain justice is a demonstrated deterrent to crime, and New Mexico courts have improved their case processing times. In FY25, the average time to disposition for New Mexico courts decreased to 197 days—a 24 day improvement from FY24. Judicial districts implementing or anticipating the implementation of a case management order to enforce trial deadlines, like the 1st and 8th judicial districts, were responsible for some of the largest improvements in days to disposition for criminal cases. With district courts facing increasingly felony-heavy workloads, which generally are more time-intensive than misdemeanor cases, fast processing is important. However, the state's district court annual clearance rate, the number of resolved cases divided by total cases, declined from 100 percent in FY24 to 97.9 percent in FY25. Similarly, the age of active pending criminal cases increased from 276 days in FY24 to 354 in FY25. The disconnect between the improvement in time to disposition and the worsening clearance rates and age of active pending criminal cases could be the result of courts keeping up relatively well with an increased number of new cases, while older cases linger. Overcoming these issues and improving the accountability of case outcomes will require focused efforts to address backlogs and improve interagency communication.

EVALUATE: Felony Arrests and Outcomes

A December 2025 LFC policy spotlight on felony arrests and outcomes examined why recent investments in the criminal justice system have not translated into swifter or more certain accountability for felony crimes. The report found that although crime rates have declined since a 20-year peak in 2018, New Mexico still had some of the highest property and violent crime rates in the nation in 2024. Felony court filings remained relatively steady even as reported crime fell, which would suggest improved accountability. However, because not all law enforcement agencies collect complete and accurate data on crime and arrests, the report could not draw firm conclusions about case clearance rates.

For felony cases that entered the court system between FY18 and FY24, the report found fewer cases were resolved within a year than both the national average and national benchmarks, despite increased staffing across criminal justice agencies. The most common case outcome was dismissal, largely driven by prosecutors. In their case management system, prosecutors indicated uncooperative victims or witnesses and insufficient evidence were the principal reasons for dismissals, implying earlier screening and better victim engagement could materially affect outcomes.

To strengthen accountability and make outcomes measurable, the report recommended tying state funding for local law enforcement to accurate crime and clearance reporting, issuing statewide guidance on felony case screening for district attorneys, improving the victim notification systems, and assigning a universal case number to link cases across lower and district courts so the outcome of an arrest can be clearly traced.

Case Dismissals. Cases can be dismissed for various reasons, including insufficient evidence and lack of victim or witness cooperation. A lack of coordination in filing complaints and criminal charges between law enforcement and local prosecutors in New Mexico continues to strain the criminal justice system.

LFC Online: Understanding Government Finances

Finance Facts: Corrections

Pretrial Services. Criminal justice agencies in New Mexico continue to explore ways to improve compliance with court orders before and after sentencing; however, many of these efforts¬—and the consolidation of pretrial services in the Administrative Office of the Courts (AOC)—are too new to assess outcomes. Pretrial services attempt to balance public safety with individual rights and securing court appearances, and the Pretrial Justice Program for AOC supervises its defendants according to the findings from the program's background assessments. Pretrial monitoring is generally limited to text reminders for court appearances and remote contacts but may require random urinalysis testing and electronic monitoring. Coordination with the Pretrial Justice Program allows district courts to delegate after-hours monitoring to AOC employees, and after expanding the program to the 7th, 9th, and 10th judicial districts in FY25, the 5th is the only judicial district without AOC-integrated pretrial services.

In the 2025 General Appropriation Act (GAA), pretrial services funding was moved out of the individual district courts, and program costs for both the district courts and the Pretrial Justice Program were centralized within AOC. After receiving almost $4 million in FY25 for pretrial services, the AOC FY26 pretrial services budget is over $11 million. Whether consolidation is an effective approach will be clearer later in FY26, when performance is reported.

Notably, prior to the consolidation, pretrial performance measures had slightly improved. AOC's FY25 data reflects improvements in defendants' adherence to court orders, and the Law Offices of the Public Defender (LOPD) similarly reported a sizeable increase in the number of cases referred for alternative sentencing treatment. Specific district courts still require improvements to their pretrial services so defendants can be monitored 24/7, but overall, the system has demonstrated better capacity for accountability.

For more info:

Corrections Department Performance
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Diversion. Diversion programs seek to support and divert certain defendants from criminal sentencing, and treatment courts, although they differ significantly from most other diversions in targeting high-need individuals and diverting those defendants after a guilty plea, have received significant attention from both the Legislature and the Judiciary. With their potential to reduce recidivism, improve accountability, and cut costs, it is crucial that treatment courts are available to assist high-need defendants. While statewide treatment court capacity declined slightly from 1,445 in FY24 to 1,419 in FY25, the number of participants dropped from 991 to 851. Eight of the 54 different treatment courts had utilization rates under 20 percent, and only three treatment courts were over capacity.

Indicative of the general decline in the use of diversion programs, in the 2nd Judicial District, LOPD reported that one of their attorneys' district court diversion-focused caseload fell from 88 cases in the fourth quarter of FY24 to 14 cases in the fourth quarter of FY25. According to LOPD, the 2nd Judicial District Attorney's office is not offering diversion agreements to defendants who pick up charges under Operation Route 66, the multiagency policing effort that has made 1,587 arrests along Central Avenue since February 2025. This decline suggests that prosecutors, judges, public defenders, and the defendants themselves are either not aware of treatment courts and other opportunities for diversion or reject the practice.

Assisted outpatient treatment (AOT) programs similarly hope to reduce incarceration rates among individuals with severe mental illnesses through civil court-ordered treatment. Assisted outpatient treatment is an evidence-based practice implemented nationwide that targets individuals averse to community treatment, and in areas with reliable access to treatment it boasts positive impacts on incarceration and recidivism rates. During the 2024 special legislative session, AOC received $3 million for AOT and competency diversion pilot programs, and in FY25 it expanded AOT to the 1st Judicial District. Three of New Mexico's judicial districts now have AOT programs, but staffing issues for both the judiciary and behavioral health providers continue to hinder implementation.

For more info:

Courts and Judicial Agencies Performance
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Prosecutorial and Defense System Gaps

Issues with recruitment and retention are widespread across New Mexico's criminal justice system, with potential consequences for case processing times and justice. District attorney offices and the LOPD, especially in rural areas, face unique challenges in hiring and keeping staff. District attorneys and the LOPD compete with each other, the private sector, and executive agencies, which recently raised pay. As of June 30, 2025, 88 percent of attorney positions at LOPD's Gallup office were vacant, and the Clovis and Carlsbad offices each had a vacancy rate of 33 percent. Rural district attorney offices continue to use virtual proceedings from the pandemic era and hire attorneys from out of state, though this requires court coordination, and some district attorneys choose not to use this option. Additionally, several district courts reported difficulties obtaining funding through their memorandums of understanding (MOUs) with different counties.

As district attorneys file cases and LOPD defends an increasing number of labor-intensive felony cases, this strain on attorney workload becomes even more evident. Aside from notable improvements in the 3rd and 8th judicial districts, district attorney offices nearly universally experience workload increases. The 3rd and 4th judicial district attorneys were the only offices to prosecute fewer cases in FY25 than in FY24, and the 2nd Judicial District Attorney's total number of prosecutions grew from 10,539 to 12,992. In FY25, LOPD handled 33,989 in-house felony case assignments, an 11 percent rise over FY24's total of 30,631. Contract attorneys, essential for conflict of interest cases in districts with an LOPD office and basic defense for the indigent in districts without one, have more than doubled their average annual murder case assignments since the pandemic. LOPD, AOC, and the Administrative Office of the District Attorneys (AODA) continue to explore solutions to staffing and workload challenges, with LOPD releasing a report in October 2024 on transitioning contract attorneys to hourly pay and the district attorney association and AODA working to revise district attorney pay bands in 2025.

Corrections and Sentencing Reform

In New Mexico, the trajectory of prison populations over the past decade reflects both decline and rebound. The downward trend in incarceration that began around 2018 accelerated during the pandemic as releases and reduced admissions lowered population levels. Yet, by mid-2023, the pattern reversed, and the prison population began to increase. Projections indicate, over the coming decade, the population of men in prison may surpass prepandemic levels, while the population of women is expected to decline. As of FY24, the average male inmate count was about 5,192, rising to over 5,300 in FY25, while female inmates hovered around 500 to 550.

At the local level, New Mexico's jails—particularly in Bernalillo County—continue to struggle with swelling pretrial populations and high turnover. In the Metropolitan Detention Center in Albuquerque, more than 40 percent of individuals held on felony charges were never convicted, and the average length of stay before release approached four months. High rates of repeat bookings further drive jail population pressures. Nearly 40 percent of individuals booked into jail are rebooked two or more times within the same year, and over a nine-year period, nearly two-thirds are booked again at least once.

Recidivism. Recidivism—the return of an individual to incarceration or supervision (probation or parole) within a specific time period following release—continues to be a significant challenge for the state. After several years of modest declines, New Mexico's recidivism rate rose to approximately 40 percent in FY24, well above the national average. Substance abuse, inconsistent access to programming, and gaps in supervision and tracking are major contributing factors. Individuals released after serving time for drug-related offenses return to prison at especially high rates. Meanwhile, probation and parole supervision populations have declined over time, in part due to earlier policy changes and capacity limitations. Though fewer people are under active supervision, agencies are strained to provide meaningful oversight and reentry assistance despite years of increased spending on these programs.

Sentencing Reform. Sentencing reforms and incarceration alternatives have gained traction in New Mexico but remain inconsistently implemented. Justice reinvestment efforts have encouraged diversion of low-level, nonviolent offenders into treatment, community-based corrections, and enhanced supervision rather than incarceration. These reforms reflect a growing recognition that sentencing policy must be tied to post-release supports to reduce recidivism. However, recent efforts by the New Mexico Sentencing Commission to propose a package of standardized sentencing guidelines have failed to gain support.

Reentry. Reentry services that help former inmates reintegrate have grown in recent years but face hurdles in consistency and reach. Within correctional facilities, the Corrections Department provides pre-release programs focused on family literacy, parenting, conflict resolution, and cognitive behavioral therapy. Each facility has a reentry committee responsible for preparing inmates for release, but the quality and availability of programming vary widely among facilities. Outside of prison, nonprofit organizations — some of which receive state funding — offer essential reentry services that help transition individuals from incarceration to community life, including employment support, identification, peer support, and access to behavioral healthcare.

Despite these efforts, reentry services remain underused and fragmented. About 5,500 people access reentry programs each year—just enough to match the number entering or leaving the prison system annually. Coordination among state agencies, local jails, and community providers is often lacking. Additionally, the absence of a central tracking system or shared outcomes framework makes it difficult to assess long-term program success or identify best practices for expansion. However, the agency has participated in the program inventory for value, outcomes, and transparency, which monitors spending on evidence-based and research-based programs. NMCD has steadily increased funding for these initiatives; currently, 94 percent of the $16.7 million spent by NMCD's inmate management control program and reentry programs is dedicated to evidence-based and research-based initiatives.

Strategic and Fiscal Considerations for FY27

As New Mexico continues to invest in justice and public safety, longstanding implementation challenges still hinder the state's ability to achieve meaningful, measurable results. High vacancy rates in critical roles—including law enforcement, corrections, forensic science, and behavioral health—limit agencies' capacity to fully carry out funded initiatives. However, staffing and funding are not the only obstacles. Diversion programs and problem-solving courts remain underutilized, even where capacity exists. Behavioral health services—essential to many justice interventions—are still inadequate in many parts of the state due to ongoing provider shortages. Meanwhile, delays in implementation and a lack of coordination have left some allocated funds, including those designated for the pilot projects in the Government Results and Opportunity Act initiatives, unspent.

In some cases, recurring appropriations have exceeded the state's capacity to spend effectively, leading to underutilized programs or delays in service delivery. Meanwhile, fragmentation among justice sector agencies complicates coordination. The lack of shared performance metrics, inconsistent data reporting, and decentralized planning diminishes the effectiveness of otherwise promising reforms.

Over the past several fiscal years, the Legislature has substantially increased funding for crime reduction, officer recruitment and retention, judicial caseload management, and evidence-based alternatives to incarceration. However, outcomes have not always matched the spending. Crime rates stay high in some areas, recidivism is on the rise, and access to programming inside correctional facilities remains uneven. Without improvements in staffing, service integration, data infrastructure, and accountability systems, continued investment alone is unlikely to lead to meaningful reductions in crime or justice system costs.

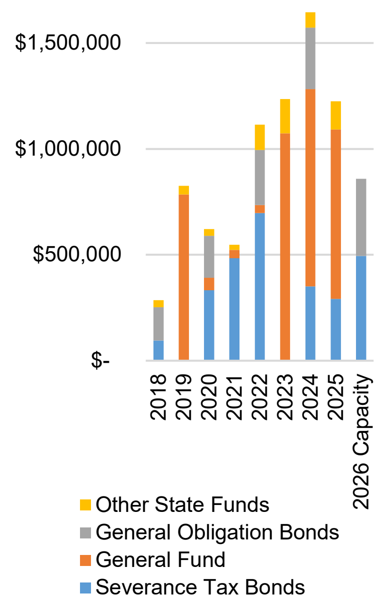
Additionally, ongoing expenditures in the justice system have increased significantly, while much of the state's innovation and system development in public safety—including technology upgrades, workforce stabilization, and data initiatives—depend on nonrecurring or one-time funds. This setup creates long-term risks. As federal spending decreases and general fund revenues stabilize, the state may need to make tough choices between maintaining new capacity and supporting core public safety services. Prioritizing recurring investments strategically, along with performance-based budgeting, will be essential to ensure service continuity and enhance outcomes.

The Government Results and Opportunity Act (GRO Act), established by House Bill 196 in 2024, provides a framework for tackling these challenges. The act advocates for cross-agency coordination, outcome-focused budgeting, and increased use of data to inform funding decisions. Early efforts to implement GRO Act initiatives within public safety agencies have revealed the need for more consistent performance metrics, integrated reentry planning, and clearer program goals linked to long-term community safety outcomes. As the state prepares the FY27 budget, applying these principles to justice and public safety funding—especially in areas like reentry, juvenile justice, and workforce deployment—will enhance the state's ability to achieve the desired results.

The Legislature has also allocated significant funds for technology upgrades at the Department of Public Safety to improve data-driven public-safety operations. These efforts include launching an intelligence-led policing initiative, fully implementing a new records management system (RMS), acquiring automatic license plate readers in key areas, and modernizing the computer-aided dispatch platform. These systems aim to eliminate informational silos, provide real-time intelligence, and redirect limited resources toward proactive enforcement. In practice, local and state agencies say that the automatic plate readers and records integration have led to quicker suspect identification and vehicle tracking, while other upgrades have streamlined dispatch, allowing officers to spend more time on patrol and investigations.

Public Infrastructure

Annual Capital Appropriations by Fund Source and New Bonding Capacity
(in thousands)



Source: LFC files

The state has invested billions of dollars in recent years in capital improvements and infrastructure projects to deliver essential public services, support economic development, and improve quality of life. However, the scale of financial investment has not necessarily enabled the state to complete high-priority, large projects, particularly at the local level. Instead, funding has been spread thinly across thousands of small projects with more marginal public benefits. The state also continues to face significant challenges in using capital appropriations effectively, including piecemeal funding, insufficient planning, ineffective prioritization, high construction costs, and limited capacity in the public and private sector to take on new projects.

Capital Landscape

Revenue surpluses have recently supported significant increases in annual capital outlay appropriations. Capital appropriations packages averaged $1.4 billion from 2023 to 2025, compared to $665 million from 2019 to 2021, a 106 percent increase. This increase occurred even with a decreased reliance on bonding, or debt, and was enabled by substantial nonrecurring general fund surpluses the Legislature prioritized for capital investment.

With revenue growth now flattening, such large general fund infusions are not likely to be available to sustain the capital program. The Legislature may want to consider returning capital spending to a level that can be supported by its bonding programs, other state funds, and more modest amounts of general fund.

Capital Outlay Requests

Executive agencies and judicial entities requested approximately $1.1 billion for more than 100 projects, and the Higher Education Department recommended funding $788.9 million in capital requests from higher education institutions. Additionally, HED requested more than $60 million for security enhancements and childcare projects that were not requested by institutions on their infrastructure capital improvement plans. Requests from local entities for capital outlay from House and Senate members, meanwhile, have recently approached $4 billion. As of December, roughly $815 million in capacity was expected to be available for new projects from severance tax bonds and general obligation bonds, the typical sources of capital spending.

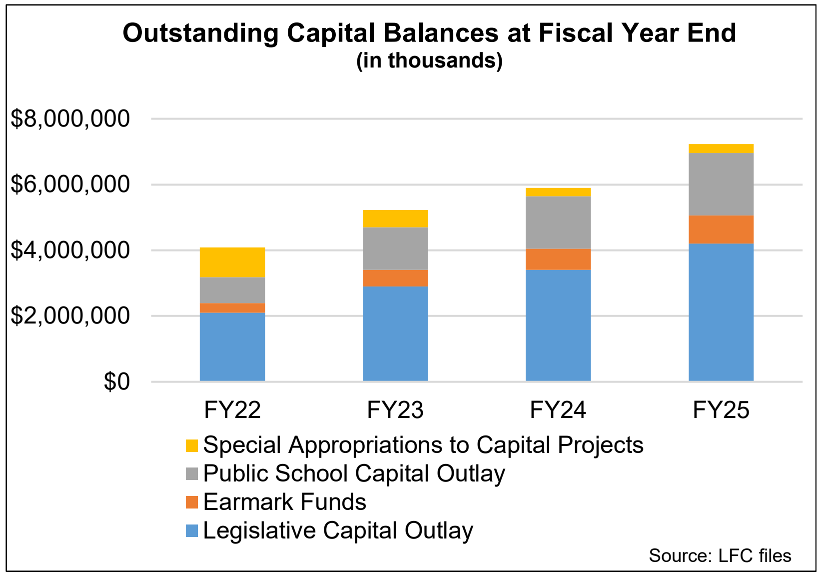
LFC Online: Understanding Government Finances

Finance Facts: Capital Outlay Process

Capital Backlog

Large capital appropriation packages combined with surging revenues to programs that support capital projects outside the annual appropriation process are contributing to historically high outstanding balances. At the end of the fourth quarter of FY25, outstanding capital outlay balances totaled an estimated $7.2

billion across nearly 6,000 active projects, a 22 percent roughly over FY24. The overall balances include the severance tax bond earmark programs, the public school capital outlay fund, and major special appropriations packages for capital projects. At the end of FY25, balances on legislative capital outlay appropriations totaled roughly $4.2 billion, a 23.5 percent increase over the previous year. Seventy-four percent of outstanding projects at the end of FY25 were local, representing 42 percent of legislative balances ($1.9 billion).



Challenges and Opportunities for Local Projects

"Local" capital outlay appropriations are made to local governments, tribes, and political subdivisions at the discretion of individual legislators and the governor. Local capital outlay provides direct support for local priorities at no cost to municipalities, county governments, and other public entities, and because capital outlay is one of the few funding programs for public infrastructure that does not require a local match or debt, it is in high demand. The largest overall amounts are regularly appropriated to three categories of projects: roads, water and wastewater, and parks and recreation facilities.

These trends indicate a need for communities and a desire among legislators to improve critical infrastructure around the state. However, due to the high demand for capital outlay dollars, legislators are often only able to contribute a fraction of project costs. In 2025, local entities requested $3.9 billion in direct appropriations from House and Senate members. Available funding for local requests from legislators and the governor was just under $600 million, or about 15 percent of the funding requested.

Piecemeal Funding

The wide gap between requests and available funds is a recurring issue and results in a consistent pattern of piecemeal funding. In 2025, 44 percent of nearly 1,400 projects in the capital outlay bill received 50 percent or less of requested funding. In 2024, the proportion was almost identical, with 45 percent of projects receiving 50 percent or less of requested funding. Such piecemeal funding, along with obstacles like insufficient planning, local capacity limitations, and a reluctance to raise or commit local revenues to projects, often prevent completion of projects in a timely manner.

LFC Online: Understanding Government Finances

Finance Facts: Bonding Capacity

The practice of dividing the total dollars allocated for local projects among the House, Senate, and governor, and then equally among members of each chamber contributes to the problem of piecemeal funding by leaving every legislator with a relatively small amount of money to address numerous demands in their district. For instance, while overall capital outlay in 2025 for local projects was nearly $600 million, every representative received $2.5 million to allocate and every senator $4.2 million.

LFC Online: Understanding Government Finances

Finance Facts: Local Capital Outlay Planning

High Priority Projects Go Unfunded

Due to the relatively small sums each legislator has to allocate, local capital appropriations for larger projects, including most projects local governments identify as the highest priorities on their infrastructure capital improvements plans (ICIP), are rare and require substantial support from the governor. Only five local projects in the 2025 capital bill received appropriations of $10 million or more, for instance, and only 130 appropriations, or less than 10 percent, were for $1 million or more. More common were local capital appropriations of $250 thousand or less, which accounted for 60 percent of the local appropriations. Further, LFC analysis indicates the higher cost priorities that are top five priorities on local ICIPs went mostly unfunded. Sixty percent of top priority projects with total costs exceeding $5 million have received no capital outlay appropriations to date. The city of Albuquerque, for example, despite receiving roughly $71 million in total capital outlay in 2025, received only $200 thousand toward its top five ICIP priorities. Albuquerque's top priorities that received no capital outlay in 2025 included homeless facilities, the rail trail, downtown economic development, and renovation of the rail yards. This suggests a high opportunity cost in the current approach to local capital outlay.

New State Infrastructure Office

In 2024, the Legislature created the Infrastructure Planning and Development Division (IPDD) within the Department of Finance and Administration (DFA), with the goal of bringing additional focus and capacity to assisting communities with effectively planning, fully funding, and completing projects.

In its first year of operations, IPDD has hired more than 20 staff and built a new capital planning, grants management, and project tracking system that will provide a foundation for much of its work going forward. The division has stood up a new funding navigation assistance function that previously did not exist in state government to assist public entities in identifying funding sources for projects. It has also expanded its capacity building and technical assistance efforts through regional training and its rural ombudsman, who provide direct technical assistance to small communities, helping them to overcome barriers inhibiting project completion. IPDD also administers the New Mexico match fund and oversees policy guiding application-based grant programs the Legislature has created in recent years for certain types of local capital projects.

Going forward, the new division provides a strong foundation for future legislative and executive efforts to improve capital outlay and advance infrastructure development in New Mexico.

Committee Initiatives for 2026

An LFC subcommittee focused on modernizing the capital outlay process met several times during the 2025 interim and directed staff to develop legislation for potential committee endorsement for the 2026 session.

High-Priority Local Projects. In 2024, amendments to the Severance Tax Bonding Act created a new trust fund for capital outlay and a program fund with several goals: to stabilize the state's long-term debt, to diversify revenues to the capital program and insulate it from volatility, to shift the capital program to a cash-based system, and to create a funding mechanism for planning and design.

The trust fund will grow over time and make annual distributions to the capital development program fund, with an estimated $26 million available in 2026.

These funds present an opportunity for the Legislature to pilot new approaches to prioritizing, vetting, and funding local projects without impacting the typical practice of member share. Such a pilot could allow the Legislature to fund local projects at higher levels with potential to advance statewide priorities or address significant local needs. LFC directed staff to work with IPDD in the fall of 2025 to develop an application for the 2026 funds. Over time, such a process, if continued, could allow the Legislature to develop and implement a vetting system to improve prioritization and completion of high-priority local projects and to phase design and construction funding for these projects. LFC will consider a recommendation from IPDD based on the results of the application process for incorporation into the statewide capital outlay framework, the LFC recommendation for capital spending.

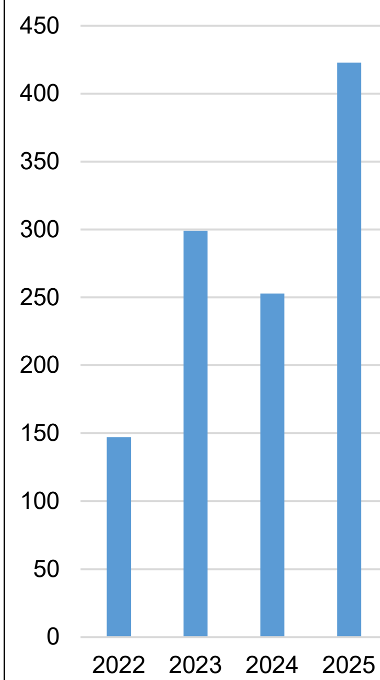
Additionally, the LFC subcommittee focused on capital outlay modernization directed staff to include a provision in legislation for potential committee endorsement requiring capital outlay requests over a certain dollar threshold to appear on an infrastructure capital improvement plan, with the intention of improving planning and prioritization and limiting the volume of unplanned requests.

Limiting Reauthorizations. The number of capital outlay reauthorizations have been higher than usual for the last three years. Capital outlay appropriations may be reauthorized to extend the time grantees have to expend funds, to change the purpose of the appropriation, to expand the purpose, or to make technical changes to appropriation language. There are no formal limits on how many time extensions may be granted nor any criteria projects must meet to be eligible for reauthorization.

Reauthorizations have increased in volume significantly in recent years, with the vast majority reauthorized to extend time beyond the standard two years for equipment purchases and four years for capital improvements. In most circumstances, well-planned projects that are ready to proceed should not require more than four years to expend grants. The lack of limits on reauthorizations provides little incentive to grantees to sufficiently develop projects before requesting funding or to effectively prioritize requests.

The Legislature could consider imposing reasonable limitations of reauthorizations to incentive improved project development and prioritization prior to funding. These include allowing only one time extension per appropriation, allowing technical changes but not changes of purpose, and requiring some portion of an appropriation to be encumbered as evidence of activity on a project to be eligible for reauthorization.

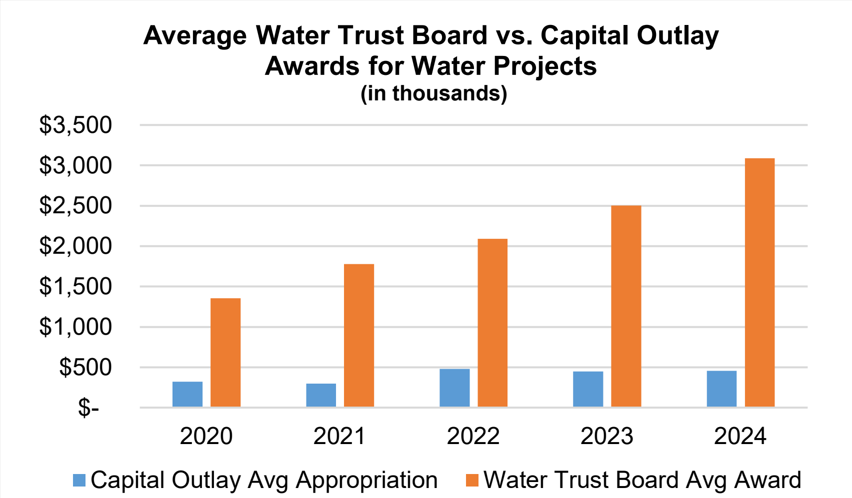
Number of Reauthorizations Included in Legislation Before Gubernatorial Vetoes



Source: LFC files

Special Grant Programs. The state has numerous grant and loan programs that support the same types of local projects commonly funded through capital outlay. LFC program evaluations consistently demonstrate these programs have better outcomes than capital outlay in terms of supporting project completion, usually due to criteria-based application and vetting systems that verify project readiness and ensure award levels are sufficient to complete projects or functional phases.

It is particularly important for the state to be strategic about prioritizing its investment in critical infrastructure through programs that demonstrate superior

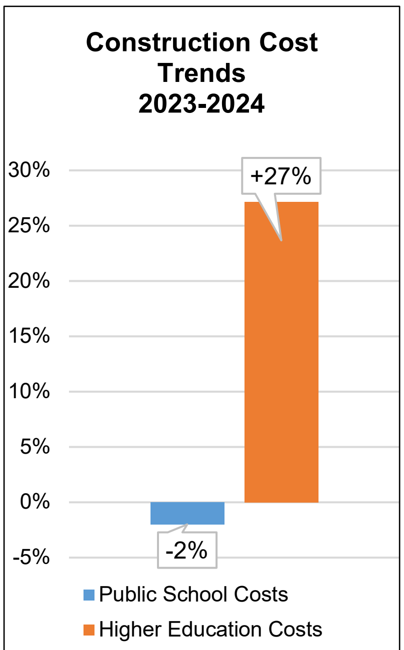


Source: LFC files

performance. These programs include grant and loan programs for water and wastewater systems, such as the Water Trust Board. The committee will consider legislation for endorsement for the 2026 session to limit discretionary capital outlay appropriations for water and wastewater systems while providing additional infusions of funding into grant and loan programs proven to support project completion. The goal is to incentivize participation in these programs and to use capital outlay to supplement rather than to supplant these funds.

Cost of Public Construction

Continuing record-setting public and private investment in construction in New Mexico has intensified demand for contractors, architects, skilled labor, and materials, driving costs higher. Private nonresidential construction spending in New Mexico increased from $1.6 billion in 2021 to $3.4 billion in 2023. State and local nonresidential construction spending increased from $1.5 billion to $2.5 billion over the same period.



Source: LFC files

Despite the strong demand for construction labor, shortages persist. A 2024 LFC report on the escalating cost of public construction found the state faced a deficit of at least 2,000 workers to meet construction demand in 2023. While the labor supply has improved in New Mexico's largest metropolitan areas, rural projects still rely on importing construction workers from Albuquerque, resulting in premium costs for those projects.

These dynamics have contributed to a rapid increase in the cost of public construction. The cost of public school construction in the state rose from $291 per square foot in 2019 to $695 per square foot in 2023, and close to $1,000 in many districts, before stabilizing in 2024, when the average cost of school replacement projects awarded by the Public School Capital Outlay Council was $681 per square foot.

Higher Education

New construction for higher education institutions followed similar patterns through the 2024 general obligation bond (GOB) cycle. (General obligation bond proceeds are available every other year and are partially dedicated to higher education projects.) New construction projects funded with 2022 GOB proceeds had an average cost of about $520 per square foot, according to estimates associated with funding requests, rising to $1,038 per square foot in the 2024 GOB cycle, a 100 percent increase. GOB funding capacity increased only 12 percent over the same period. In 2025, however, costs did not plateau as with public schools. New construction requests from higher education institutions averaged roughly $1,312 per square foot, with estimates for several projects carrying even higher costs. The most expensive, standard academic building was estimated at nearly $2,000 per square foot, almost double the average from the previous year.

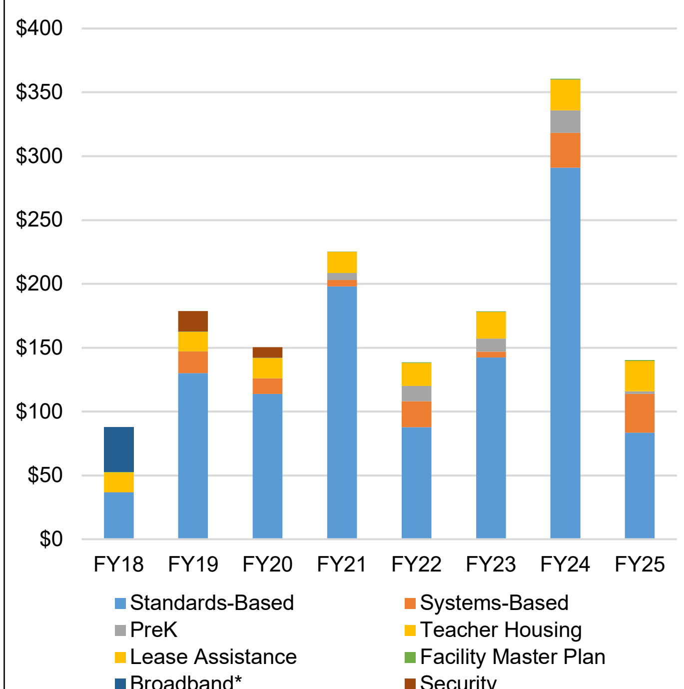
The continued escalations prompted LFC to undertake additional analysis on the cost drivers of higher education projects. The analysis identified several systemic problems: Institutions lack mandatory design requirements before requesting funding, construction cost estimates vary widely in accuracy, many institutions lack construction expertise to challenge or control elevated pricing, and both the Legislature and executive oversight agencies have little influence over design and site selection at the institutional level that, in some cases, are significant cost drivers. For example, Western New Mexico University's early childhood facility costs increased from $748 to $1,833 per square foot, driven by premium design elements, including unusually high ceilings, specialized materials, and a challenging hillside site. Eastern New Mexico University's (ENMU) student academic services building costs nearly doubled to $1,194 per square foot, with independent estimators identifying over $3 million in potential savings through value engineering and questioning inflated pricing for mechanical systems and electrical work. Additionally, architectural and engineering fees are unregulated for projects over $10 million, with ENMU's fees reaching 13.5 percent versus Washington State's recommended 8.12 percent. Recommended solutions include requiring independent cost estimators to verify bids, establishing design standards before funding approval, implementing standardized cost estimation methods, and providing guidance to help institutions identify pricing issues, pursue value engineering opportunities, and challenge inflated quotes from contractors and vendors.

Higher Education Major Projects Fund. In 2025, the Legislature passed and the governor pocket vetoed a bill intended to address several of these issues. The bill created the higher education major projects fund, a new funding source for large projects that would ease pressure on GOB revenues given rising construction costs. The bill would have provided for phased funding for design and construction and would have required a certain level of design to be completed before construction funds could be appropriated, providing appropriators with more insight into project development prior to construction funding. Additionally, the bill would have, for the first time, formalized match requirements for four-year institutions.

Public Schools

In December 2024, the New Mexico Supreme Court issued an order sending the 1999 *Zuni* capital outlay adequacy lawsuit back to district court for re-evaluation. The 1999 lawsuit found the practice of locally funded school construction was unfair to property-poor districts, and it led to the creation of the public school capital outlay fund. The Supreme Court ruling resulted from the state's appeal of a 2015 ruling from the 11th Judicial Court that inequities still existed despite the state's investment of billions of dollars since the ruling to improve school facilities and a significant improvement in the average condition of New Mexico schools. The justices determined the case to be moot because the funding system for school capital outlay that was ruled unconstitutional in the original 1999 case has changed so much it no longer exists.

PSCOC Awards by Type, FY18-FY25
(in millions)



Source: PSFA

EVALUATE: Public School Capital Outlay Match Formula

New Mexico's public school facilities are funded through a mix of local district revenue and state support. Since 2001, the state has invested nearly $3.3 billion to help school districts repair and build educational facilities through the Public School Capital Outlay Council (PSCOC). The PSCOC awards funding for school replacements, remodels, and systems upgrades, with award amounts varying by district according to a local-state match formula. That formula considers both district need, based on student enrollment and facility square footage, and district ability to pay, based on property valuation. It is designed to promote consistent local effort while ensuring the state provides additional support so that all students have access to adequate facilities.

A **2025 joint brief prepared by LFC and LESC** staff found that several key premises of this formula no longer align with current fiscal and demographic realities. A growing number of districts have requested waivers, or local-match reductions, citing limited revenue capacity—a challenge intensified by pandemic-era inflation and uneven property values. Even with legislative relief measures in 2023 and 2025, many small and rural districts remain at the maximum local-match rate. The evaluation found several formula variables fail to capture a complete picture of district ability to pay. To address these issues, the report recommends options for additional study by the Legislature, targeted adjustments to key variables in the current formula, updated procedural guardrails, and more nuanced formulations of district ability to pay through project-specific calculators.

The Public School Capital Outlay Act was passed to establish a remedy to the *Zuni* lawsuit, and it established a "standards-based process" through which certain eligible districts and schools may apply to have the state cover a portion of a new school as defined in the local-state match formula. Created in 2004, the Public School Capital Outlay Council's (PSCOC) original "standards-based" awards were designed to prioritize schools in the worst physical condition and to support major renovations and full facility replacements. Since then, PSCOC has created several other new funding mechanisms, though standards-based awards remain the largest yearly expenditure. Currently, most of PSFA's other awards—including prekindergarten, teacher housing, and building systems—also employ the local-state match formula to calculate district contributions. Since the inception of the awards program in 2004, PSCOC has invested nearly $3.3 billion of state funds into public school facilities, benefiting every district in the state.

LFC Online: Understanding Government Finances

Finance Facts: Public School Capital Outlay

State-Local Match Formula. New Mexico is one of 45 states that provide some amount of financial assistance for construction of public school facilities. According to the *U.S. Census of Governments Fiscal Survey*, in 2020, New Mexico had the fourth highest annual school capital outlay per student in the nation ($1,535), after Wyoming ($2,586), New York ($2,164), and Minnesota ($1,554). Nationwide, most money for school construction and maintenance comes from local funds, primarily property taxes.

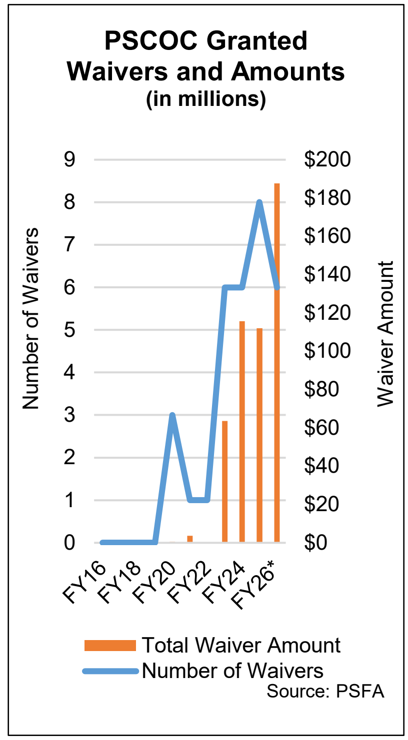
FY25 Local Match Amounts

Project Type	# of Awards	Total Estimated Project Cost	Local Match Amount	Local Match %
Standards	4	$225,367,498	$141,981,524	63%
Systems	14	$56,086,700	$25,658,239	46%
PreK Awards	1	$3,909,000	$1,837,230	47%
Teacher Housing	2	$1,459,000	$435,480	30%
Total	**21**	**$286,822,198**	**$169,912,473**	**59%**

Source: PSFA

New Mexico's state-local match formula for public school capital projects is designed to equalize funding for capital improvements across school districts despite variations in property wealth. In recent years, applications to the state's public school capital outlay fund dwindled, while growth in oil and gas revenue expanded the state's capacity to finance school facility projects. Legislative changes to funding formulas, improvements in overall school facility conditions, and pandemic-related disruptions all contributed to reduced demand for state funding and rising uncommitted balances in the public school capital outlay fund.

Legislation enacted in 2023 changed the state-local match formula to entice more school districts to seek support for projects from the public school capital outlay fund. The effect was to reduce the cost burden on school districts and increase the cost burden to the state. The changes have increased demand for the fund but have collided with dramatic increases in construction costs.



Waivers. If a district demonstrates a good-faith effort to use all available local resources and still cannot afford its local match, the council may consider a waiver, or reduction of the local match, provided the district has imposed at least 10 mills ($10 per $1,000 in taxable value), or seven mills for districts with fewer than 1,500 students.

While increased revenues to the public school capital outlay fund and substantial balances in the fund have allowed the council to grant more waivers, providing flexibility to districts with limited capacity, the trend suggests the formula is not accurately capturing districts' ability to pay. Additionally, the state may want to exercise caution in assuming an ever increasing burden of school construction costs. The public school capital outlay fund is reliant on volatile oil and gas severance tax revenues. Forecasts from the state's Consensus Revenue Estimating Group (CREG) anticipate moderate growth through the late-2020s, with annual note capacity for PSCOC projected at around $800 million for the next several years. Longer term estimates project inflation-adjusted revenues to stabilize in the $500 million to $600 million range after the 2030s, however, severance tax collections are highly sensitive to swings in global energy prices, production levels, and market demand. As a result, actual revenues could vary widely from projections. CREG's high-range forecasts exceed the baseline by more than 50 percent, while its low-range forecasts are roughly half the baseline. This potential volatility underscores the need for prudent long-term planning and clear safeguards in allocating capital outlay funds.

Information Technology

For more info:

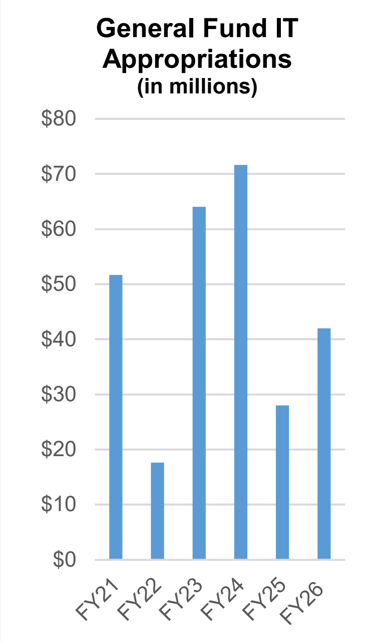
Information Technology Projects Performance Page 178

The Department of Information Technology (DoIT) oversees different state technologies, including broadband, cybersecurity, and information technology (IT) project management. With leadership changes, a lack of capacity at the staffing level, and federal rule changes, the expenditure of funds on various technology efforts has been slow.

Broadband. Since the creation of the Office of Broadband Access and Expansion, administratively attached to DoIT, the state has been awarded over $1.3 billion in federal broadband awards. The federal Broadband, Access, and Deployment (BEAD) program through the National Telecommunications and Information Administration (NTIA) is the largest federal award at $675.3 million. BEAD aims to expand high-speed internet access to unserved and underserved regions of the state. NTIA defines unserved locations as households that lack access to qualifying broadband service at 100 megabits per second download speed and 20 megabits per second upload. Underserved is defined by areas lacking access to reliable broadband of a speed of no less than 100 megabits per seconds for downloads and a speed of 20 megabits per second for uploads.

Of the $675 million federal BEAD award, OBAE received approval for the use of $432.9 million, leaving $242.1 million unobligated. Awards include $111.7 million for the Navajo Nation.

OBAE's initial proposal was approved to start the BEAD process in July 2024 and was on track to submit its final proposal to NTIA by mid-2025. However, federal changes announced in June 2025 have disrupted the original BEAD timeline, requiring OBAE to rescind any preliminary and provisional awardee selections and begin a new application process. The federal changes required eligible entities of BEAD funding to revise their maps of BEAD-eligible locations, including removing locations that have existing services as well as regions that are already slated to receive service through other federal and state awards, though these regions may not meet federal standards of adequate broadband speed despite other servicing and investment. As a direct result of the federal mapping changes, the number of unserved and underserved locations eligible for BEAD funding significantly reduced. BEAD funding will be eligible to cover approximately 40 thousand unserved and underserved locations, compared to the estimated 70.6 thousand unserved locations and an additional 8 percent, or 72.3 thousand areas, as completely underserved at the time of initial BEAD approval in July 2024. Additionally, federal changes opened the applications up to all different kinds of broadband technology, including physical fiber, satellite, and wireless broadband.



Even with the federal changes, OBAE will have until 2029 to fully expend the $675.3 million. Once deployment goals are met, remaining funds are allowed to be used for high-speed internet adoption, training, and workforce development; however, OBAE estimates connecting both unserved and underserved locations could cost between $2.9 billion to $4.1 billion. While fiber remains the preferred solution, certain rural and remote areas will likely require satellite connections, particularly in hard-to-reach areas where traditional broadband infrastructure is difficult to implement. The estimate assumes connections using a mix of 40 percent aerial and 60 percent underground—or around 14,875 miles of fiber.

Cybersecurity. The Cybersecurity Office, administratively attached to DoIT started its operations in FY25, the year after DoIT helped several state agencies recover from various cyberattacks within the executive and judicial branches. The office currently provides services to 76 executive agencies, 33 counties, 23 Tribal entities, 105 local municipalities, 29 higher educational institutions, and 185 public school districts, providing assistance to help entities move towards centralization of cybersecurity efforts.

After the governor vetoed legislation that would have centralized cybersecurity standards across the state, she issued Executive Order 2024-11, ordering DoIT to conduct information technology and security assessments on executive agencies to detect vulnerabilities and support mitigation efforts as necessary. The Executive Order requires executive agencies to comply with and adopt cybersecurity, information security, and privacy policies, standards, and procedures based on the moderate-impact security outlines and standards issued by the National Institute of Standards and Technology. Executive agencies must certify compliance with DoIT and the Office of the Governor on an annual basis. The move toward centralization and the establishment of formal oversight mechanisms should improve the state's capacity to implement widespread security standards and cybersecurity programs that provide services to executive agencies that previously voluntarily complied with DoIT's cybersecurity standards.

Since 2023, DoIT has received $41 million for cybersecurity initiatives in nonrecurring special appropriations and has spent $21.2 million, or 53 percent. Out of DoIT's four special nonrecurring appropriations for cybersecurity, three have been reauthorized due to the inability to spend the money in the given timeframe.

Project Management and Oversight. For FY27, 18 state agencies requested a total of $204 million from state and federal funds for information technology projects: $113.6 million from the general fund, $85 million in federal funds, and $5.7 million from other state funds. Of the requests, eight are for continued projects totaling $92 million, with the remaining 10 requests for new projects totaling $112 million. The largest request is the Health Care Authority's $60 million request for further enhancements to its $500 million Medicaid system, in addition to the $10 million received for the IT project in the first special legislative session in summer 2025, followed by the Higher Education Department's $19 million request for its shared services platform for six community colleges.

General fund appropriations for IT projects of $42 million in FY26 were an increase from the $28 million appropriated in FY25, but a decrease from FY24. With many outstanding projects with large cost increases, agencies are requesting to reauthorize previous appropriations in addition to asking for new funding. For FY27, the Health Care Authority asked for $47.3 million for its outstanding child support enforcement modernization project while having $14.9 million in unspent funds from previous appropriations. Rather than appropriating new funding, the Legislature reauthorized previous funding for existing projects in FY27 to encourage expenditure of previous funds before appropriating new funds.

Major state information technology projects have faced significant delays and cost overruns, including the Health Care Authority's Medicaid system replacement, the Children, Youth and Families Department's child welfare system, and the Higher Education Department's longitudinal data system. Despite these challenges, project outcomes remain unclear, with limited measurable progress since their inception. Agencies continue to request additional funding to support these same projects and to initiate new ones, further compounding existing implementation and oversight issues.

To help manage the state's existing and upcoming IT projects, DoIT's Enterprise Project Management Office (EPMO) is modernizing its services for greater transparency and to improve business processes. EPMO currently maintains the agency's IT data dashboard, available on the agency's website and has improved accountability and transparency for state IT projects. The EPMO project dashboard currently identifies 60 open projects totaling $1 billion, of which 34 projects are in implementation, with three projects closed in FY26. However, the dashboard contains self-reported information from agencies and is limited in the amount of information that can be uploaded. There are no standardization methods for independent verification and validation (IV&V) rankings. IV&V is required for state-funded IT projects to provide an additional layer of accountability to ensure that IT projects are meeting requirements and specifications to fulfill the intended purpose of the IT system. IV&V is performed by a third party to avoid conflicts of interest.

However, IV&V can be waived for agency projects, and IV&V contractors have different

IT Project Status Report Ratings, FY25 Q4 (in millions)

Agency & Project Name	Overall Rating	Project Cost	Appropriated	Spent
HCAs MMISR		$533.80	$427.60	$335.50
State Broadband Program		TBD	$268.00	$45.50
DoIT's P25		$170.00	$91.20	$85.80
HCA's CSESR		$109.20	$32.90	$17.90
CYFD's CCWIS		$90.40	$75.60	$49.70
HED's NMLDS		$16.40	$16.40	$8.90
RLD's Accela Replacement		$16.10	$9.50	$5.20
NMCD's EHR		$6.7	$6.7	$6.3
DPS's ILP		$16.1	$9.5	$5.2
Totals		$958.70	$937.40	$560.00
% of Costs Funded		*97.78%*		

Source: LFC FY25 Q4 Report Cards

rankings, meaning that if two separate IT projects were ranked yellow overall, the rankings most likely are based on different quantifiers, so there's no objective way to understand true project statuses. DoIT is currently working on solutions for more accountability at the agency level in addition to greater accountability from IV&V contractors for IT projects.

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Department of Transportation Performance
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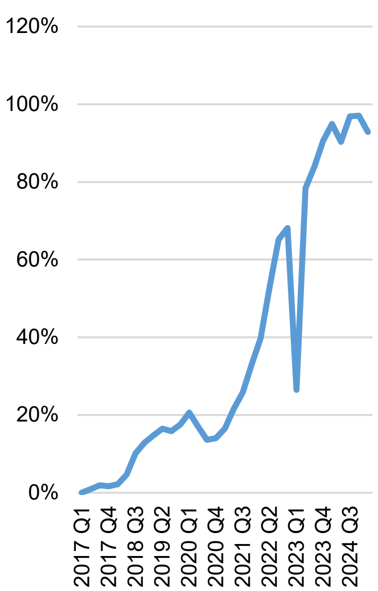
EPMO's modernization project will attempt to streamline the reporting process and provide additional checks and balances to ensure the information is accurate and timely. The goal is to create efficiencies for document submission, allow additional data analytic capabilities, and shift focus from document management to project oversight and strategic planning. This initiative should align with best practices and establish a more formal governance and accountability structure to provide IT oversight. Agencies continue to rely on external project management contractors and capacity for project management at agencies is limited. DoIT should continue to assess the state's capacity for managing IT projects, including the capacity for managing outstanding projects and rising costs.

Transportation Infrastructure

The Department of Transportation (NMDOT) maintains 28,000 highway lane-miles conducting both construction and maintenance activities. Road construction projects are mostly funded by federal highway grants, with state matching funds allocated from taxes and fees deposited in the state road fund. Maintenance projects must be fully funded by the state, either with revenue from the state road fund or, as in recent years, with special appropriations to the department.

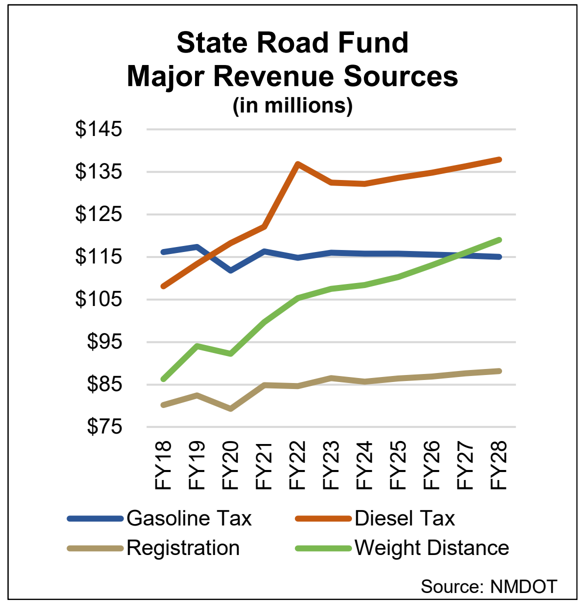
Nationwide Percentage Increase in Highway Construction Costs
(from Q1 2017)



Source: Federal Highway Administration, National Highway

Despite significant investments of federal and state funds in roads, NMDOT reports continuing challenges with maintaining sufficient resources to fully fund projects. The department's four-year Statewide Transportation Improvement Program includes 477 NMDOT-led projects valued at $6.4 billion. NMDOT reports total funding gaps of $471.6 million, meaning NMDOT has yet to identify a source of funding available by the time the projects are scheduled to go to bid. Funding gaps have been exacerbated by a ramp-up in construction costs. Data from the Federal Highway Administration shows that since the start of FY20 nationwide highway construction costs have increased by 60.5 percent. Meanwhile, revenue into the state road fund has increased by 11.2 percent between FY20 and FY25, meaning the department has been able to accomplish less work with its additional money. Seven projects on the department's construction schedule between 2026 and 2029 are estimated to cost more than $100 million each, accounting for a major portion of the department's construction budget, totaling $516 million in FY26.

For FY27, the Consensus Revenue Estimating Group, including economists from NMDOT, LFC, the Department of Finance and Administration, and the Taxation and Revenue Department, anticipate revenue into the state road fund of $570.4 million, an increase of $8.5 million, or 1.5 percent, from NMDOT's FY26 budget. NMDOT's projections for future years show modest revenue growth, averaging $9.1 million per year, or 1.6 percent. This low revenue growth is driven by stagnation in gasoline tax revenue, once the largest revenue source for the state road fund, but rising fuel efficiency in gasoline-powered automobiles has limited growth. The tax, levied at 17 cents per gallon, with about 13 cents directed to the state road fund, has not been increased since the 1990s. Like the gas tax, other revenue sources, such as vehicle registration fees, are set in statute and do not automatically adjust as the total purchasing power of those revenue sources are eroded by inflation. In recent years, growth in road fund revenues have been reliant on other sources, such as the diesel fuel taxes, fees on commercial vehicles, and the motor vehicles excise tax on the purchase of new vehicles.



Despite stagnating gasoline tax revenue, NMDOT's project schedule remains robust. Across the state, NMDOT has 74 active road construction projects valued at more than $1.4 billion. In addition, NMDOT's one-year schedule of projects to be put out to bid lists 51 road construction projects valued at nearly $1.1 billion over the next year. However, the department has reported funding shortfalls in some of the projects scheduled to go to bid in FY27. During the 2025 legislative session, the department sought authority to sell $1.5 billion in bonds over the next decade to fund road construction projects. As amended, that bill would also have raised $70 million to $80 million per year for NMDOT to repay those bonds. The Legislature will consider similar legislation in 2026.

Traffic Fatalities

New Mexico has among the highest number of motor-vehicle-related fatalities in the country and the highest rate of fatalities for pedestrians involved in motor vehicle crashes, although data from NMDOT indicates a significant decrease in pedestrian fatalities in FY25. Using federal data from 2023, the Insurance Institute of for Highway Safety reports fatal motor vehicle crashes resulting in 437 deaths (down from 466 deaths in 2022), or 1.55 deaths per 100 million vehicle miles traveled versus a national average of 1.26 deaths. If traffic fatalities in New Mexico reflected the national average, 83 fewer deaths would occur on New Mexico's roadways. This high number of traffic fatalities has led NMDOT to launch the Target Zero initiative, an effort to reduce fatal motor vehicle crashes through a safe systems approach that combines well-designed roadways with enforcement of safe driving speeds and emergency response systems that prevent fatalities in the event of a collision.

LFC Online: Understanding Government Finances

Finance Facts: Highway Funding

Natural Resources

For more info:

Energy, Minerals and Natural Resources Performance Page 167

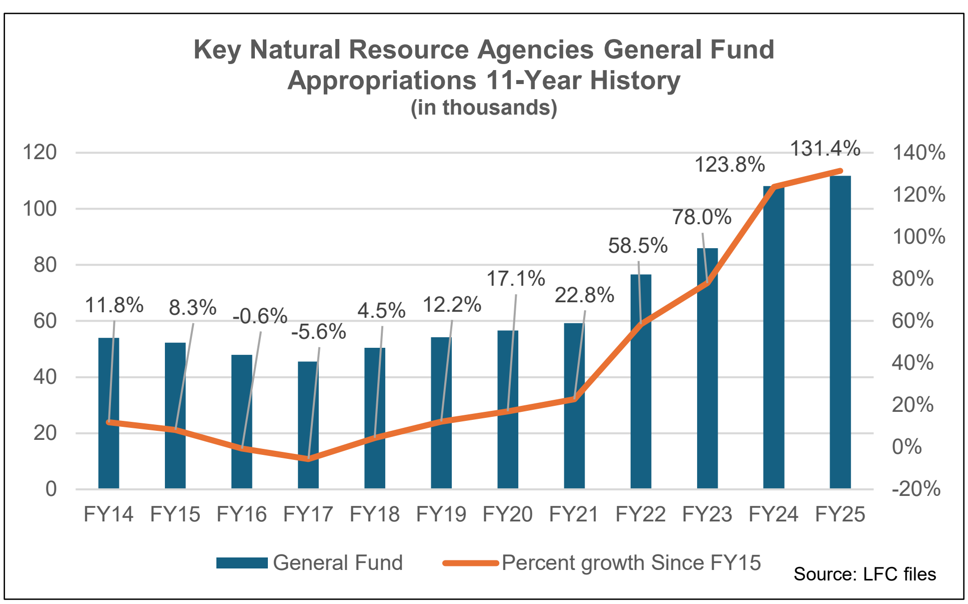
LFC Online: Understanding Government Finances

Finance Facts: State Land Trust

Investment in the state's natural resource agencies, through substantial recurring and nonrecurring funds, has resulted in improved performance and expanded capacity to respond to a more volatile natural environment. In addition to investment, recent legislation has also enhanced the state's natural resource agencies' ability to treat its forests and watersheds and to protect and regulate its waterways. However, flooding, fires, and drought will continue to impact the state, and an outdated executive emergency funding system for disaster relief needs to be revamped. While continued investment in the state natural resource agencies prioritizes the protection of the state's water supply and bolsters its response infrastructure to natural disasters, stakeholders should continue to find ways to modernize, such as collecting more comprehensive data, proactively investing in mitigation and treatment, and monitoring how investments are being implemented.

Increased Funding

Substantial investment in natural resource agencies has had mixed results. Following the 2025 Legislative session, the three key natural resource agency's recurring general fund appropriations have increased by $63.5 million, or 131.4 percent, over an 11-year period. The significant recurring and nonrecurring investment the Legislature has made in the natural resource agencies has been implemented with varying degrees of success.



The Energy, Minerals and Natural Resources Department (EMNRD) and the Office of the State Engineer (OSE) have both seen sustained and improving performance in terms of retaining employees and performance. The Environment Department (NMED) has seen some improvement in performance, particularly in its Water Protection Program. This improvement is due to the agency decreasing its vacancy rate and retaining personnel. Implementation of nonrecurring funding on legislative timelines continues to be an issue, with large amounts of funding being reauthorized multiple times.

Water Supply and Protection

The past three years has seen targeted investment in the state's water management and protection and the infrastructure that cleans and moves it. During this period, the state has continued to contend with 71 percent of its lands in varying levels of drought, affecting an estimated 1.8 million people. Additionally, estimates by a state commissioned water task force indicate the state will have 25 percent less water in 50 years and continue to have record low snowpack in the headwaters of the Rio Grande, along with low allocations from the Colorado River. Adequate, safe water supplies are essential for life in the high desert, from irrigation in the lower Rio Grande to the water taps in homes in Mora.

Two agencies principally manage the state's water quantity and quality: the Environment Department of the Office of the State Engineer. Over the last three legislative sessions, NMED's general fund budget has grown by 45 percent, or $10.3 million, while OSE's general fund budget has grown by 20.9 percent, or $6 million. In addition to recurring increases, over the same three-year period, the agencies received, collectively, $188.5 million in nonrecurring funding for water infrastructure, resources, protection, and management. The nonrecurring investment in NMED and OSE is part of a larger $1.1 billion in nonrecurring funding (including earmarked severance tax bond proceeds) for water systems and management.

To address the issue of water supply, the Legislature has invested in developing a better understanding of the totality of the state's water. The New Mexico Institute for Mining and Technology received $7.5 million in the last legislative session to begin mapping the state's subsurface aquifers and groundwater. New Mexico State University received a total of $8 million in the last session for brackish desalination projects, and the Energy, Minerals and Natural Resources Department (EMNRD) received $8 million to be placed and then distributed from the state's supplemental land and water conservation fund, which provides local communities with match funding for federal outdoor recreation funds that can be used for projects such as improvements to the bosque or watershed restoration.

The state also provides consistent nonrecurring funding through the New Mexico Finance Authority's Water Trust Board, which received $200 million during the last session for water projects authorized by the Legislature. The supplemental funding is a regular appropriation to the water trust board, though the additional $200 million appropriated during the most recent legislative session, plus $150 million provided over the past two years, are aimed at enabling the board to fund more water systems and wildlife conservation, watershed restoration, and flood prevention projects.

Brackish Water Supply. Legislative efforts to augment the state's water infrastructure included the 2025 passage of the Strategic Water Supply Act, which created the strategic water supply fund and placed $40 million into it for brackish water desalination projects. Managed by NMED and OSE, the strategic water supply fund is intended for grants and loans to local governments and contracted private companies. Both managing agencies note applications for use of the funds is projected to exceed existing funding.

Legacy Fund Update

Provisions of the permanent fund and the distribution fund jointly called the legacy fund have resulted in isolated balances and noncompetitive investments. State statute provides that the permanent fund will distribute investment income in excess of $5 million to the distribution fund to be allocated to the natural resources programs that are beneficiaries. However, the statute provides that some of the money in the distribution fund stay in the distribution fund, resulting in a growing isolated balance of millions of dollars. While the permanent fund is intended for investment, the distribution fund is not, but the balances have accrued interest that adds to the isolated balance. These processes hinder the ability for the balance in the permanent fund to grow, while also separating significant funding in the distribution fund, which is not growing at a competitive rate.

A solution to these issues is to move all the distribution fund's balance into the permanent fund, while also transitioning the distribution fund from a pseudo-investment fund to a program fund, all of which would be distributed to the beneficiaries. Placing the balance of the distribution fund into the permanent fund would increase the growth of the permanent fund, which is invested to maximize earnings.

For more info:

Office of the State Engineer Performance Page 170

Wildfire Legislation

As the state continues to contend with rising temperatures and increased weather volatility, the possibility of wildfires, flooding, and other natural disasters will continue to rise. A method of combating these conditions is finding ways to protect and temper the state's forests and watersheds. During the 2025 legislative session, the Legislature passed multiple wildfire and disaster-related bills that added additional funding avenues for recovering communities and further bolstered State Forestry to respond and prepare for natural disasters and their effects on the state.

Laws 2025, Chapter 15, establishes the natural disaster revolving fund to provide zero-interest loans to political subdivisions of the state and electric cooperatives that have been approved for Federal Emergency Management Agency (FEMA) public assistance funding following a federally declared natural disaster. The bill speeds up funding to damaged localities and, once projects are finished, FEMA reimburses the state.

Laws 2025, Chapter 55, revamps the Forest Conservation Act, recasting it as the Wildfire Prepared Act, expanding the Fire Planning Task Force and updating its duties, and creating the Wildfire Prepared Program within the Energy, Minerals and Natural Resources Department. These changes expand the ability for the Forestry Division to develop standards for defensible space and provide grants for political subdivisions to structurally harden and defend their buildings.

Laws 2025, Chapter 5, adds and amends language within the Forest and Watershed Restoration Act and adds projects that create or maintain buffer zones in and around wildland and urban areas to the list of eligible projects for funding from the forest land protection revolving fund. Buffer zones are deliberately altered areas that reduce the damage and risk of wildfires.

For more info:

Environment Department Performance
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The state's large, but not fully understood, brackish water supply has begun to be mapped by the New Mexico Bureau of Geology's aquifer mapping program, buoyed by recent legislative investment. The mapping will be able to provide the state with a better understanding of how much brackish water the state has, its salinity levels, and its potential for desalination and use. Brackish water has a salinity level of 0.05 percent to 3 percent, while fresh water has below 0.05 percent of salt.

Produced Water. The Water Quality Control Commission (WQCC) voted, after initially ruling produced water treatment projects were not permitted to discharge treated produced water outside of the oilfield, to allow for the Water Access Treatment and Reuse Alliance's (WATR) petition to create a permitting process to allow for discharge of treated produced water to be heard. After intense public pressure, the commission voted again to reject the proposal. As a result, the treatment or reuse of produced water continues to be only allowed on the well pad. An initial draft of the Strategic Water Supply Act allowed funding to be put toward produced water treatment research, but that language was later struck. Consistent pressure from various groups seeks to open the state to produced water treatment for reuse. The oil industry produces nearly 2 billion barrels of produced water each year, with the majority reused in oil production and some disposed in injection wells or disposal pits or shipped to Texas for disposal.

Texas v. New Mexico. A resolution to the Texas v. New Mexico lawsuit over the use of the Rio Gande appears close. The Rio Grande is a critical water supply to much of New Mexico's agriculture community and many of its major cities, but that supply must be shared with downstream users, a continuing source of friction with Texas. Extensive groundwater pumping in the Lower Rio Grande Valley has depleted contractual deliveries tied to the Rio Grande Compact, which resulted in the near decade and a half lawsuit between Texas and New Mexico. OSE and the Interstate Stream Commission, along with other parties in the suit, filed documents to end the Rio Grande Compact litigation and a hearing was held in September; however, the state still must wait for the U.S. Supreme Court to issue a final ruling. The city of Las Cruces did not sign on the amicus curiae brief, though negotiators remained confident a resolution could be reached. Additionally, two of the regional irrigation districts—Elephant Butte Irrigation District and El Paso County Water Improvement District No.1—both signed off on the recent settlement documents. Once a settlement is finalized, discussion on scope and timeline of implementation will begin to take shape.

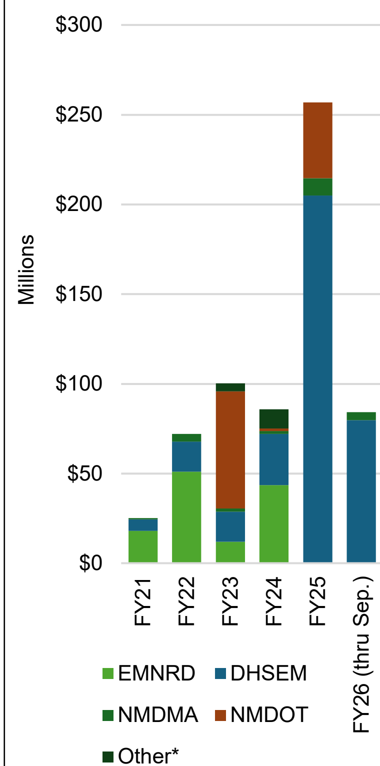
Water Protection. Expanded protections for the state's water supply came from passage of the Pollutant Discharge Elimination System Act, which gave NMED the ability to fully regulate surface and groundwater discharge. Further protection for state water was also seen in passage of the Per-& Poly-Fluoroalkyl Protection Act, which defines which consumer and nonconsumer goods (such as certain types of firefighting foam) containing the group of toxic chemicals called PFAS will be removed or phased out from sale.

Disaster Funding and Response

Multiple disasters, from the covid-19 pandemic to wildfires and flooding, have exposed a system with unclear language open to different interpretations and lacking sufficient accountability and transparency.

The issue has become particularly acute over the past 15 months. The governor has issued over 463 executive orders (EOs) between FY25 and FY26, so far, committing roughly $340 million in emergency spending. The current emergency funding system impedes the state's financial stability and disrupts the legislative branch's appropriation authority by spending into general fund accounts without explicit authorization. Changes to how executive orders are funded, their frequency, and their reporting would modernize the state's ability to respond to disasters through a more prudent and transparent process.

Emergency Funding Allocations by Agency



Source: Office of the Governor, Secretary of State, New Mexico State Library,

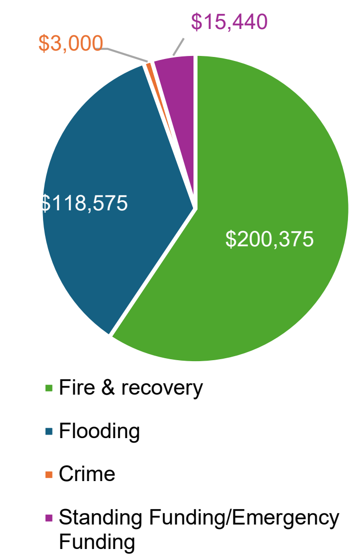
Emergency Orders

Since 2020, the governor has issued hundreds of executive orders allocating hundreds of millions of dollars outside of the regular appropriations process to handle emergencies. Efforts to resolve these issues through legislation, appropriations, and cooperation with the executive have been largely unsuccessful. From FY25 to FY26, the governor issued a total of 463 executive orders (347 in FY25 and 116 in FY26 so far). The vast majority of these orders authorize the maximum allowable expenditure of $750 thousand, with only one order in FY26 and 20 orders in FY25 not authorizing the full amount.

With already 166 executive orders issued in FY26, and accounting for the current funding trends for previous executive orders, an additional $200 million could be drawn from the operating reserve for emergency orders in FY26.

Issues with Current System. The primary statute allowing the executive to allocate emergency funding has changed little in the past 70 years, despite the changing nature of emergencies and the contemporary structure of state finances. While nothing in these statutes requires the governor to declare an emergency via executive order, it has been the executive's longstanding practice to do so. A typical executive order describes the emergent situation, states the situation is beyond local control and requires the resources of the state, declares an emergency to exist, references relevant statutory authority, and identifies the amount of funding to be allocated, the recipient agency, and the allowable uses of the funding. When funding is intended to be used by an agency for the benefit of specific local entities, the order will identify those entities, and it appears these are considered as the applicants for that funding. In response to the Covid-19 pandemic, the executive allocated disaster funding in amounts far in excess of the $750 thousand limitation and began drawing from a source not statutorily recognized as a source for emergency funds, all without notification to the Legislature or reporting on expenditures.

Purpose of FY25-26 Executive Order Allocations (in thousands)



Source: Office of the Governor, Secretary of State, SHARE, LFC files

Uses of Emergency Funds. Between FY17 and FY21, the governor issued an executive order every year providing $750 thousand to the Department of Homeland Security and Emergency Management (DHSEM) for general emergency purposes. Such orders have not been issued since FY21, but if such funding is needed, it should be added to DHSEM's operating budget. Similarly, while the scope of New Mexico's fire season may vary from year to year, the occurrence of fires is virtually guaranteed, and budgeting recurring funds to cover these costs (which could be supplemented by emergency funding during a particularly bad fire season) would seem reasonable; however, EMNRD's fire-suppression expenditures are primarily funded via executive order. Additionally, EMNRD's emergency funds are not only used to manage current fires but also to

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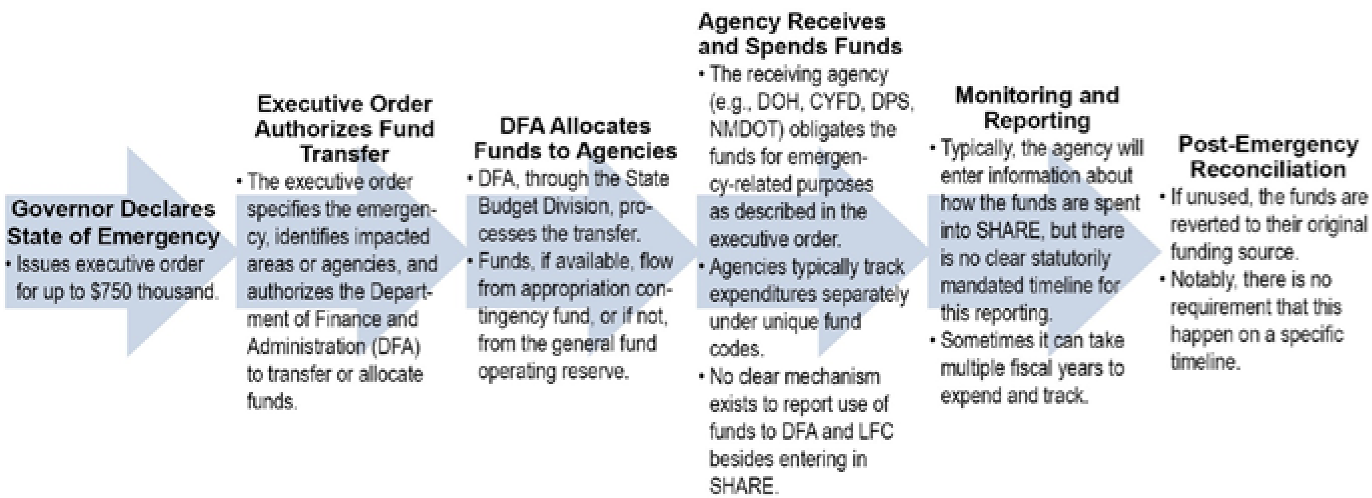
Finance Facts: Oil and Natural Gas Production

pay costs related to past fires and support prepositioning and readiness in areas with high fire danger.

Proactive Funding and Planning. A recent brief by the Pew Charitable Trust analyzed how different states are responding, recovering, and preparing for natural disasters. The findings of the brief conclude states intending to modernize disaster funding and response should collect comprehensive data, budget for disasters proactively, and invest in mitigation and resilience of the state's habitats. The Legislature and state have implemented some of these to a certain degree, but more comprehensive adoption of best practices are needed to create a system capable of responding to the scope of modern disasters.

Executive Order Timeline



To effectively implement policy initiatives, the state must have adequate systems in place to provide services in an efficient and effective manner. This includes a wide range of processes from bill-paying practices to the effectiveness of state funds distributed to local governments, with personnel management and compensation among the most important. Following years of relatively steady employee headcounts, state agencies now report more active employees than at any point since 2009. Increases in compensation, both through salary increases and benefits enhancements, have made state employment more attractive even as the overall job market shows signs of slowing.

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State Personnel Office Performance
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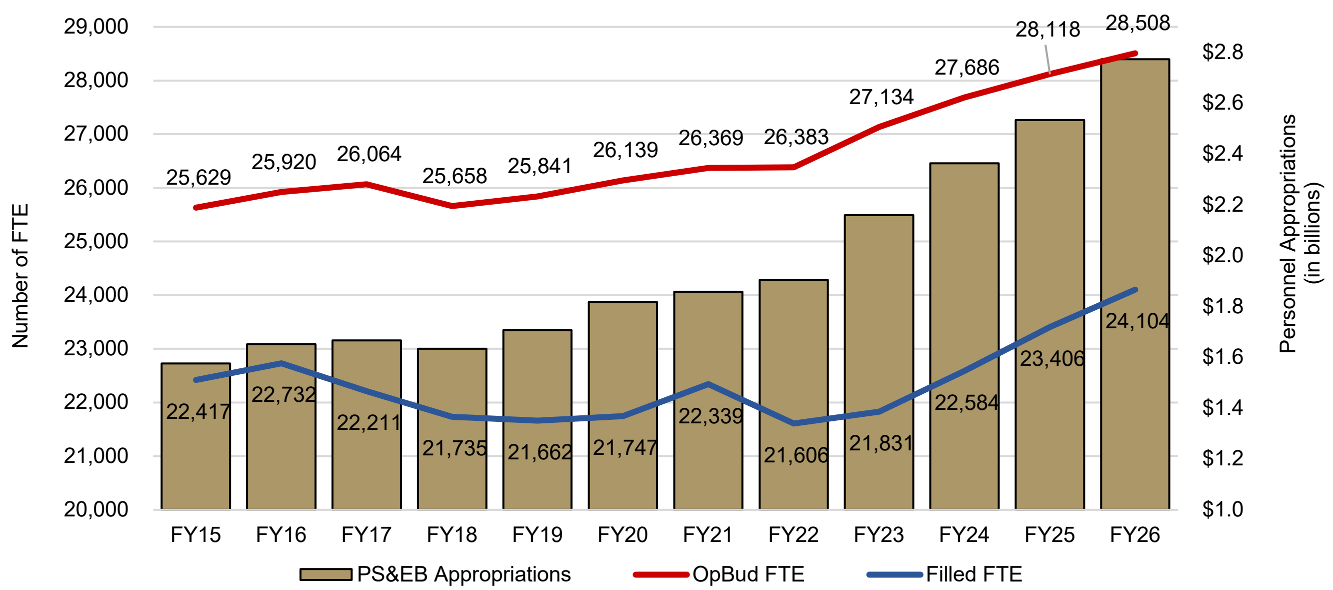
State Employment and Compensation

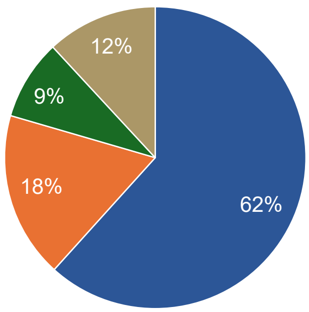
State agencies consistently added employees during FY25, with total state employment rising from 23,087 to 24,248, an increase of 1,161 employees, or 5 percent, with state employment at its highest level since 2009. However, the State Personnel Office (SPO) continues to report high rates of vacant positions due primarily to the creation of new positions. At the beginning of FY22, the 22 largest agencies had 16,868 permanent and term employees, paid with nonrecurring or federal funds, and a vacancy rate of 20.1 percent, while at the beginning of FY26 those agencies had 17,827 employees and a vacancy rate of 20.2 percent. Despite filling 959 positions over this time period, these agencies created 1,237 positions, leading to a higher vacancy rate.

Personal Services and Employee Benefits Appropriations Baseline FTE Headcount and Authorized FTE



*Filled FTE through Sept. 1, 2025

Source: LFC Files



Source: LFC Files

Continued high vacancy rates can have a significant fiscal impact on the state. For FY27, a number of state agencies have requested increases for personnel to cover the costs for aggressive hiring, stating they need additional appropriations to maintain current staffing levels. To afford increases in the short term, some agencies have needed to transfer funds into personnel costs and others have requested significant supplemental appropriations to fund personnel costs. Additionally, having a large number of unfilled and unfunded positions on an agency's organizational listing obscures agencies' hiring priorities. Currently, agencies are not required to align their organizational charts, produced every spring after the enactment of the budget, with appropriations included in the budget. To improve transparency, agencies should work to reduce long-vacant positions and align their organizational listings with hiring priorities.

According to State Personnel Office (SPO) performance data, only 68 percent of new workers complete their one-year probationary period. In FY25, the state hired 3,268 new workers. If recent turnover trends hold, more than 1,000 of those new workers, 32 percent, will no longer be employed by the state by the end of FY26. Fortunately, retention rates have been improving; the rate was 64 percent in FY24. If agencies can continue to retain employees at a higher level the state can avoid nearly 200 additional vacancies caused by the high turnover leaving agency leadership more time to focus on services for New Mexicans, rather than hiring and training.

For FY26, the Legislature approved a 4 percent salary increase for employees. However, on average, state employees who remained employed in the same position saw an even higher increase of 6.3 percent, or about $4,700 annually. Including employees who earned a new position, either by receiving a promotion or by changing departments, the average increase was 8.2 percent, or about $6,000 per employee. Overall, the average salary of a state employee increased from $72,112 on September 1, 2024, to $75,643 on September 1, 2025.

Job Architecture

Concern over the competitiveness of state employee compensation was a major factor in the approval of a recent study of the state's system of classification and compensation. For many years, the state has used the Hay method of job classification, which examines the knowledge and critical thinking skills needed to adequately perform the job and the responsibilities assigned to the position when determining the pay range for the job, independent of what the market is paying for similar services. In recent years, as the competition for skilled employees has increased, many public sector employers have shifted away from the Hay method to a market-based method, which relies on what the broader market is paying for similar positions.

LFC Online: Understanding Government Finances

Finance Facts: State Employee Compensation

To facilitate this shift, SPO determined the state needed to look at the total structure of job classifications and compensation, known in the human resources industry as job architecture. Because the former method based pay on factors other than market pay for a position's job duties, the former system had several "catch-all" job titles, particularly for managers. The revised job architecture, adopted for implementation at the beginning of FY26 categorized all 839 jobs within the classified system into 14 job families and 69 job subfamilies. Common job titles, such as "administrative/operations manager," were replaced with family specific titles, such as "manager, budget and finance" or "manager, healthcare programs," which allows SPO to accurately benchmark state jobs to the broader job market.

To support the implementation of the revised job architecture, the Legislature provided SPO with additional resources to allow the office to subscribe to current job market data and to perform regular reviews to ensure the new system remains aligned to the broader job market.

Health Insurance Benefits

Recent changes to state law will significantly impact the state's costs for employee health insurance, reducing the cost for many employees and bringing the state more in line with what many other employers cover. Legislation enacted in 2025 increased the state's contribution to employee's health premiums, covering at least 80 percent of the total cost for all plans. Under previous law, the state paid 80 percent of the plan costs for workers earning less than $50 thousand, 70 percent for those earning between $50 thousand and $60 thousand, and 60 percent for those earning more than $60 thousand.

According to KFF, a nonprofit health policy organization, employers typically cover 84 percent of healthcare premiums for single coverage and 74 percent of healthcare premiums for family coverage. Public employers typically contribute 90 percent for single coverage and 78 percent for family coverage. While the recently enacted changes make health coverage a more attractive benefit, the state will continue to trail other employers in the cost of single coverage but will provide a slightly higher-than-typical benefit for those on family coverage.

Health Insurance Rates for Employee Earning More Than $60 Thousand

Single Coverage	Employee		State	
	FY25	FY26	FY25	FY26
BCBS PPO	$3,629	$2,179	$5,444	$8,717
BCBS/Pres HMO	$3,121	$1,874	$4,681	$7,496

Family Coverage	Employee		State	
	FY25	FY26	FY25	FY26
BCBS PPO	$10,707	$6,430	$16,060	$25,718
BCBS/Pres HMO	$9,206	$5,528	$13,809	$22,112

Source: LFC Files

When combined with increased premiums, the shift has meant a 60 percent increase in health insurance costs for the state, with the cost of single coverage rising by between $2,815 and $3,274 and the cost for family coverage rising by between $8,303 and $9,658. Meanwhile employees participating in the health plan saw increases in take home pay: Those with single coverage saw their costs decrease by between $1,247 and $1,450 per year, roughly the equivalent of a 2 percent salary increase at the average salary of a classified employee, and those with family coverage save costs savings of between $3,677 and $4,277, or the equivalent of a 6 percent salary increase at the average salary. However, the lower employee premium could boost employee participation in the plan, which could have a beneficial effect on costs if younger, healthier employees opt into state coverage.

The shift also means future health insurance cost increases will fall more heavily on the state. Nationwide, health plans are projecting higher costs for 2026, with Segal, a national benefits consultancy, reporting expected plan cost increases of 9.3 percent for preferred provider organization plans, 8.8 percent for health maintenance organization plans, and 11 percent for prescription drug plans. For FY27, the Health Care Authority asked agencies to build a 10 percent rate increase into their operating budget requests, although the Health Care Authority notes the agency will adopt new medical plans for FY27, which could include high deductible health plan options, which provide employees with low premiums but higher out-of-pocket costs, which can be paid out of a health savings account.

State Workforce: Growth in Employees by Location

State agencies employ personnel in all 33 of New Mexico's counties, ranging from seven staff in Harding County to more than 7,000 in Santa Fe County. According to state employment records, state agency payrolls have climbed by 2,414 people between September 2019 and September 2025.

Growth in state employment has been fastest outside of Santa Fe, most notably in Bernalillo County, where headcount for executive branch agencies grew by 18.7 percent, more than double the 8.2 percent executive agencies grew in Santa Fe County. As a result, demand for state office space in Bernalillo County has grown and the state's Facilities Management Division was given $1.5 million to develop a master plan for Albuquerque office space.

State Employment in Five Counties with Most Employees

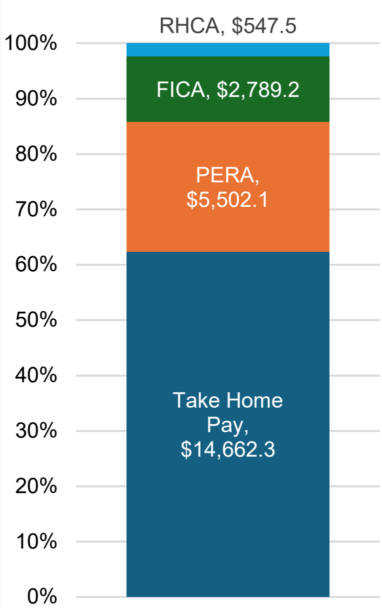
		Change Since 2019		
County	**2025 Employees**	**Legislative Branch**	**Judicial Branch**	**Executive Branch**
Bernalillo	6,149		179	755
Chaves	818		10	67
Doña Ana	1,734		36	100
San Miguel	1,014		4	(43)
Santa Fe	7,931	140	(10)	547
All Other	6,625		97	532
Total	**21,690**	**140**	**316**	**1,958**

Source: LFC Files

Post-Employment Benefits

Three state agencies manage post-employment benefits for public employees: the Public Employees Retirement Association (PERA), which manages pension benefits for state agency, county, and municipal employees; the Educational Retirement Board (ERB), which manages pension benefits for school district, college, and university employees, and the Retiree Health Care Authority (RHCA), which manages health insurance plans for both PERA and ERB members. For the past several years, the Legislature has sought to stabilize the state's pension funds, with legislation to increase contributions to the funds and limit annual cost-of-living adjustments (COLAs). While the reforms have improved the long-term stability of the plans, the funds retain large unfunded liabilities—the amount the plan's actuaries estimate would be needed to pay all retirement benefits promised up to this point minus the current value of the trust fund.

Breakdown of Cost of 1% Pay Increase
All Revenue Sources (in thousands)

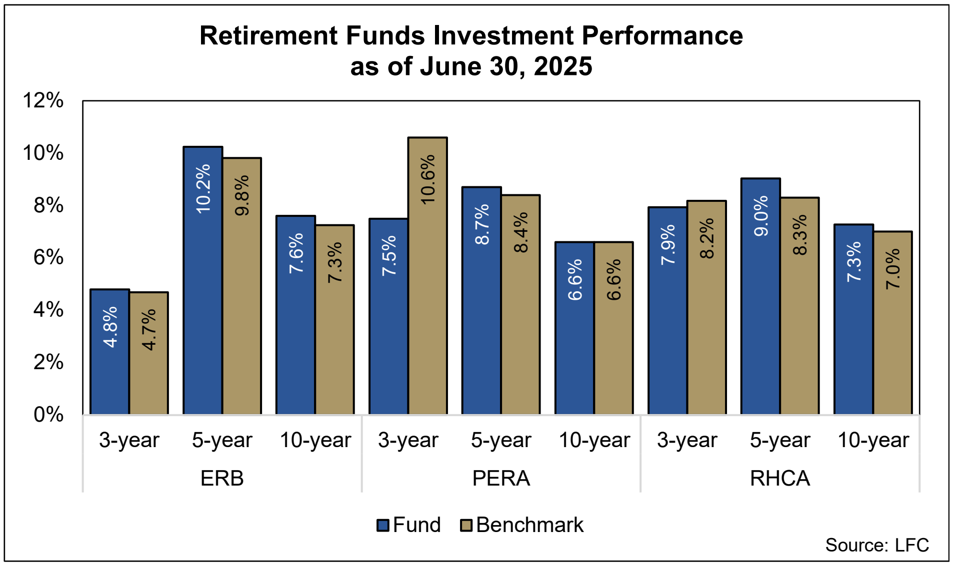


Note: Includes both employer and employee contributions. Take home pay does not account for an employee's income tax liability.

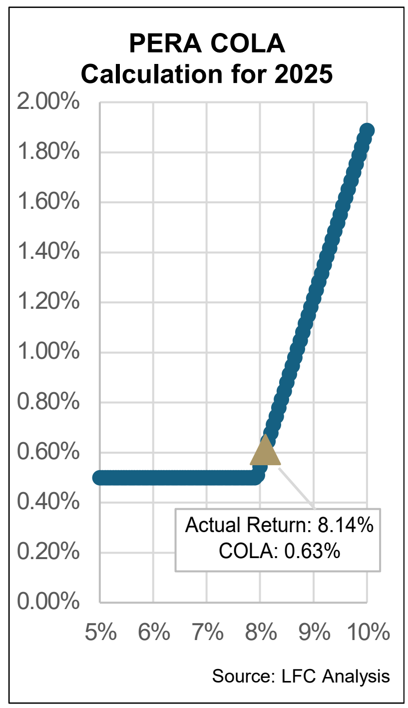
Source: LFC analysis

Plan Contributions. Pension plans generate revenue to pay employee benefits from three sources: employer contributions, employee contributions, and investment returns. Health pensions pre-fund the costs of benefits payments throughout an employee's career and invest those dollars to generate the amount needed to pay promised benefits. Both PERA and ERB are "mature" pension plans, meaning their total benefits payments and expenses are higher than contributions, leaving investment returns to make up the difference. For FY24, PERA collected $950 million in contributions and had expenses of $1.5 billion, while ERB collected $1.21 billion and spent $1.46 billion. But investment returns offset the shortfall: PERA's investment income was $1.34 billion and ERB's was $1.49 billion. Overall, contributions into the funds since FY20 have risen from $665.6 million for PERA and from $781.3 million for ERB.

Sustainability. Recent legislation to improve the stability of the state's pension funds have placed the plans on a more sustainable path. For PERA, a 2020 law increased employer and employee contribution for PERA, while limiting the costs of COLA adjustments for retirees to address a significant unfunded liability that actuaries projected would never be fully paid off. For ERB, legislation from 2021 and 2022 included a 4 percentage point increase in employer contributions, which placed the fund on a path to eliminate its unfunded liability in 25 years.



In addition to pension funds, the state's balance sheet also includes significant liabilities for retiree health benefits. As of FY24, RHCA reported a total unfunded liability of $1.78 billion, with the fund holding an estimated 47 percent of the amount it would need to fund all benefits promised up to this point. But this represents a significant improvement, due in large part to an earmark of personal income tax revenue that would otherwise be paid into the general fund. Those distributions—currently a total of $65 million for FY27—are scheduled to increase by 12 percent per year, the compounding effect of which will prove unsustainable. By FY55 distributions will grow to more than $1.7 billion per year, dwarfing today's largest tax expenditures. However, the earmark has proven successful at providing some funding to make up for the lack of pre-funding. When set up in the 1990s, the Retiree Health Care Authority provided benefits from the beginning, using contributions from current employees and their employers to fund existing retiree benefits. Currently, RHCA's actuaries project the unfunded liability will be resolved in 29 years. However, this calculation does not assume future health premiums increases, which should be considered by the board to keep pace with medical inflation. Unlike pension plans, the benefit a retiree receives from RHCA is based on amounts approved by the board, not based on a statutory formula.



Cost-of-Living Adjustments. To limit future cost increases, both PERA and ERB have restrictions on annual cost-of-living adjustments (COLA) for retirees until plans are fully funded. PERA provides a "profit sharing" COLA based on its investment performance and funded status. Members become eligible for a COLA after two full calendar years of retirement. COLAs have a minimum of 0.5 percent per year, but the COLA can rise higher if investment returns are sufficient to fund a COLA in excess of the minimum. For FY25, PERA's average investment return over the prior 4 years was 8.13 percent and the COLA was 0.63 percent. However, had the actual return been half a percent higher the COLA would have been 0.98 percent. Alternatively, had the return been half a percent lower the COLA would have been the minimum of 0.5 percent.

For more info:

General Services Department Performance
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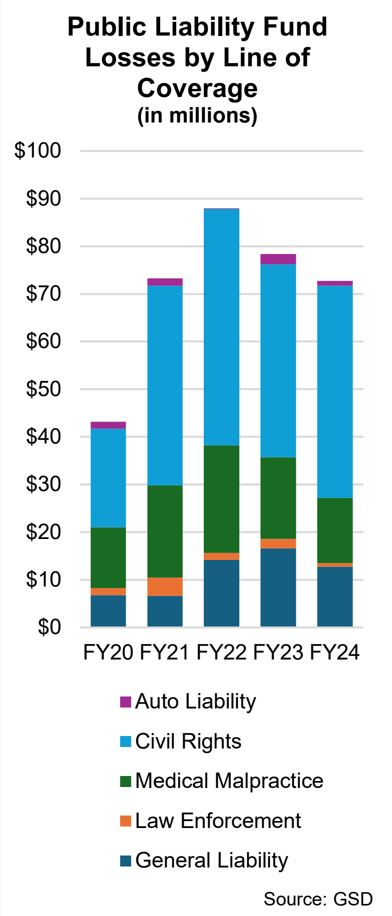
ERB retirees become eligible for COLAs at age 65 or 67, depending on when the member was first hired. ERB's COLA is based on a portion of the change in the consumer price index. Once the plan is fully funded, members will receive a COLA equal to the change in the consumer price index if the change is less than 2 percent, 2 percent if the change is between 2 percent and 4 percent, and one half the consumer price index if the change is greater than 4 percent. However, until the plan is fully funded, the total COLAs are reduced by 10 percent for members



with at least 25 years of service who are paid less than the median benefit and by 20 percent for all other members. For 2025 the COLA for most members was 1.6 percent, based on a CPI increase of 2.95 percent.

Risk Management

A significant driver of FY27 budget requests from many agencies are increases in employee liability insurance rates paid by state agencies to the public liability fund, managed by the Risk Management Division of the General Services Department (GSD). For FY27, GSD requested $112 million from the public liability fund, nearly triple the $40 million appropriated in FY20. The public liability fund covers all state agencies, as well as higher education institutions and regional education cooperatives that choose to participate in GSD's plans. Currently five higher education institutions—the University of New Mexico, including UNM Health Sciences Center, New Mexico State University, San Juan College, Southeast New Mexico College, and the School for the Blind and Visually Impaired—and three regional educational cooperatives participate in the public liability fund. Two higher education institutions—Western New Mexico University and the New Mexico Military Institute recently left the fund, leaving GSD with no recourse to recover funds for outstanding claims.

Public liability fund expenses are heavily concentrated in a few departments, but premiums paid by these departments have not kept pace with cost increases. Based on loss histories provided by GSD, five agencies have losses that exceed premiums by at least $10 million over the FY20 to FY25 period—the Children, Youth and Families Department, the Corrections Department, the Department of Transportation, the Department of Public Safety, and New Mexico State University. Together, these five entities had losses of $181.7 million over the five years on total premiums of $67.5 million, a deficit of $114.2 million.

EVALUATE: Election Costs

A 2025 LFC program evaluation on election costs shows that election spending has surged—almost tripling between the 2021 regular local election and the 2024 general election—largely due to higher county and vendor costs. While election administration is shared between the Secretary of State (SOS) and county clerks, the state now carries an increasingly substantial portion of these rising expenses, including poll worker pay, voting equipment, and other costs. This shift reflects both new legislative requirements and evolving administrative practices that have expanded the state's role in maintaining consistent and high-quality election operations statewide.

The evaluation found the statewide election fund has often carried negative balances, reflecting gaps in projections and unanticipated county spending. Counties frequently request additional funding or return unused amounts, and SOS reimbursements are often delayed. Vendor costs have risen sharply, including ballot-on-demand systems that have more than doubled since 2018. Counties also operate 285 more voting convenience centers than required, adding an estimated $3.2 million in costs. Clearer guidance from SOS on reimbursable expenses, a published MOU methodology, and a distinction between baseline requirements and discretionary enhancements would support better cost control while maintaining access and local flexibility.

GSD calculates liability rates for state agencies based on the agency's exposure to possible losses—measured by the number of employees in the agency—and the agency's losses over the previous five fiscal years. To set the rate, GSD projects the total amount the fund will need for the coming year; for FY27, that total is $112 million. GSD's formula allocates 70 percent of liability premiums based on the agency's loss history and 30 percent of the liability premium based on exposure. Therefore, 70 percent on the $112 million—$78.4 million—is allocated to agencies based on their percentage of total losses while 30 percent—$33.6 million— is allocated to agencies based on their total FTE. Because total projected need is much higher than in recent years, all agencies are receiving a significant rate increase, but agencies with a significant loss history are seeing particularly large increases.

State Support of Local Governments

The state provides substantial resources to local governments to enable them to provide services locally and, as a result, has an interest in whether those funds are being used effectively and efficiently. Local governments benefit from several dedicated state funds, including the fire protection fund, the local government road fund, and the DWI grant fund. In addition, the Legislature typically appropriates $20 million to $30 million from the general fund to local fiscal agents, such as the acequia and community ditch program or the statewide teen court program. Local governments also receive additional grants or subsidies through targeted programs or from grants from state agencies.

Most funding for local governments is allocated through annual appropriations in the General Appropriation Act or in the annual capital outlay bill. LFC analysis of appropriations to local governments and of local government fund balances reveal substantial growth in these appropriations over time.

In addition to dedicated state funds, local governments receive funds through special appropriations both with the GAA and other legislation. In 2025, the GAA included $332 million in nonrecurring appropriations to local governments, 526 times more than in 2018.

State Funds Dedicated to Local Governments
(in millions)

Fund	FY19	FY23	FY25	% Change FY19 - FY25
Fire Protection Fund	$55.8	$71.7	$76.4	36.9%
Local Government Roads	$25.5	$26.1	$28.5	11.8%
Local DWI Grant	$13.2	$16.4	$15.9	20.5%
Small Cities Assistance	$15.2	$14.3	$16.4	7.9%
Small Counties Assistance	$7.0	$7.0	$8.5	21.4%
Law Enforcement Protection	$4.6	$9.3	$17.7	284.8%
Emergency Medical Services	$2.6	$2.4	$11.8	353.8%
County Detention	$2.4	$5.0	$5.0	108.3%
Total	$130.9	$152.5	$180.2	37.7%

Source: LFC Files

County Revenue Sources

Recent LFC research into county financial audits provides some insight into local government revenue sources. Taxes are the largest revenue sources for county governments, about 66 percent of all revenues in FY24. In FY24, New Mexico's counties reported earning roughly $2 billion in tax revenue according to their financial audits, primarily through property taxes and gross receipts taxes. This is a 72 percent increase in total tax revenue since FY18.

The second largest source of revenue for counties is intergovernmental transfers; nearly 20 percent of county revenues in FY24. This category primarily represents state and federal grants, including capital outlay. In FY24, counties received $590 million in revenue from intergovernmental transfers, which is a 148 percent increase since 2018. County revenue from state intergovernmental transfers has increased 152 percent since 2018, reaching nearly $353 million in FY24. Federal transfers are the next largest intergovernmental revenue source among counties, totaling $198 million in FY24.

Capital Outlay

State capital outlay categorized as "local" is for projects selected by individual legislators and the governor out of a share of available capital outlay—typically half—set-aside each year specifically for this discretionary funding. The recipients are primarily local (county and municipal) and tribal governments but includes also some other local entities, like water districts. In 2018, 686 different local capital outlay appropriations totaled $95.8 million. This has since increased to 1,238 local capital outlay appropriations in 2025 totaling $537.5 million. This represents a 461 percent increase.

Performance

Accountability in Government Act

The Accountability in Government Act (AGA) traded budget flexibility for information about how state agencies economically, efficiently, and effectively carry out their responsibilities and provide services. Prior to the AGA, agency appropriations were tightly controlled by the Legislature, with attention paid to individual budget line items and incremental spending on salaries, office supplies, travel, etc. After the AGA, the focus switched to results and quarterly agency performance reporting (inputs, outputs, outcomes, etc.). In the last two fiscal years, LFC has adopted innovative approaches in addition to its report cards to better use performance information in its budget and oversight hearings.

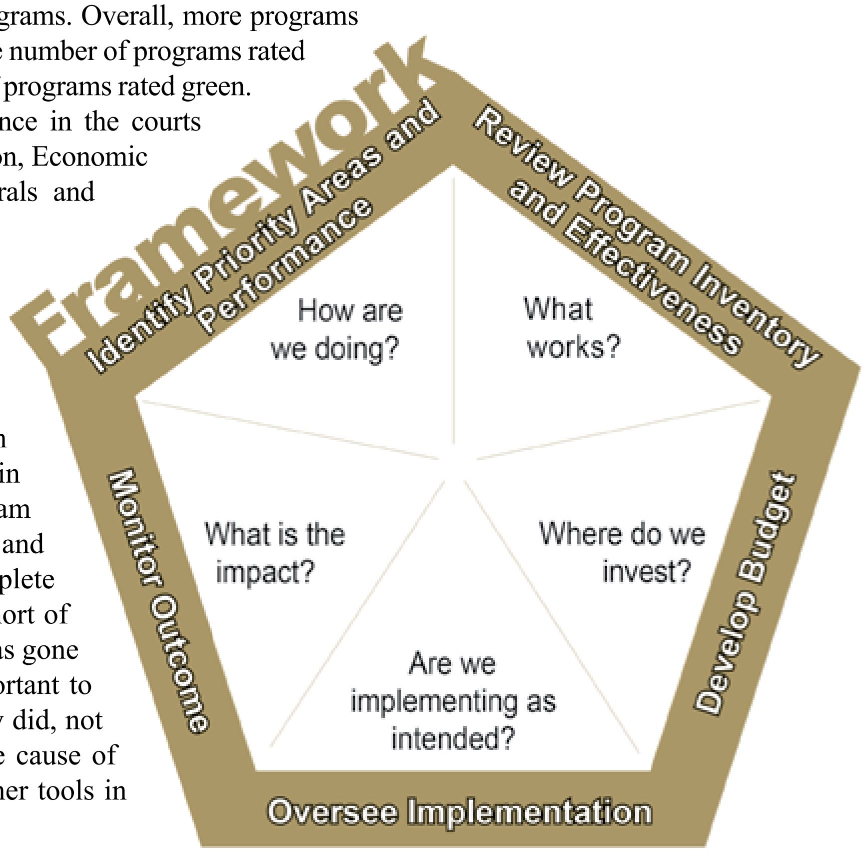
LFC continued to expand the Legislating for Results approach in 2025, adding evaluation components to the reviews for projects funded under the government results and opportunity program, projects funded through the public education reform fund, and budget expansion requests. Committee staff also refined the evidence-based inventory assessment now known as PIVOT (program inventories for values, outcomes and transparency). For the third year in a row, New Mexico was recognized by Results for America, a national nonprofit organization focused on evidence-based decision-making in government, both for being a leader in developing its array of tools and for its growing commitment to those practices.

Report cards, the foundation of the framework, remained a critical source of information for assessing agency effectiveness, and 2025 included a joint effort by LFC staff and staff of the Department of Finance and Administration to review the measures for technical errors. However, because performance measures are established in a cooperative effort with the executive, legislative control over their development is limited and some measures continued to fall short of meaningfulness.

Report Cards

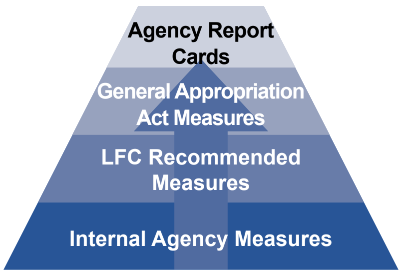
The year-end performance report for FY25 showed continued weaknesses in many critical health and social services, including a year-over-year decline in the performance of the Medicaid program. However, the Health Care Authority, which was rated red across the board in 2023, showed improvements in many other areas and had green ratings for four out of six programs. Overall, more programs had rating upgrades than downgrades, and the number of programs rated red dropped slightly, but so did the number of programs rated green. The state continues to see strong performance in the courts and judicial agencies and in the Transportation, Economic Development, Tourism, and Energy, Minerals and Natural Resources departments.

Ratings that show agencies falling short of targets, often despite substantial investment, suggest implementation is an issue. While public school reading scores improved for the fourth straight year, math scores have not budged. Children enrolled in the early childhood Home Visiting Program have better interactions with their parents and more health visits, but few families complete the program and enrollment still falls far short of capacity. Repeat maltreatment of children has gone from bad to worse. Nevertheless, it is important to note that ratings only show what the agency did, not why performance was on or off target. The cause of poor performance is best determined by other tools in the Legislating for Results toolbox.



In addition, an agency can meet state targets and still fall short of national standards, a sign of weakness in the measure, the target, or both, and many targets are classified as "explanatory" and have no targets at all. Notably, the Accountability in Government Act authorizes the Department of Finance and Administration (DFA), with LFC consultation, to approve and change agency performance measures. Indeed, explanatory measures are a compromise between DFA and LFC, reflecting agency sentiment that performance reporting is merely burdensome compliance that opens the door to unfair criticism, and the view of the Legislature, which recognizes measures and targets as the centerpiece of the performance-based budgeting process intended to focus spending on results. These differing perspectives between the two branches over the value and extent of state government reporting creates, not just conflict, but also leads to issues with transparency and accountability.

Performance Measure Hierarchy



LegisStat

The committee continued to work with agencies to improve performance on specific issues through the LegisStat process, a collaboration with agencies process that focuses on a core set of performance metrics with regular performance discussions and follow-up hearings on action items from the previous hearing. The issues in LegisStat now include road quality, child welfare, public school student achievement, workforce development, healthcare access, and early childhood home visiting. Of note, improvements in the prevention of child maltreatment have been stubbornly slow, and while the department finally received federal approval for its Family First Prevention Services plan after a multiyear effort, the federal Children's Bureau found the state does not conform with any of the seven safety, permanency, and well-being outcomes and five of the seven systemic factors reviewed.

Key features of the LegisStat process:

1. Focus on a core set of performance metrics,
2. Regular performance discussions with agency leadership,
3. Follow-up on action items from the last meeting, and review results for improvement.

PIVOT

The FY25 survey of evidence-based programs in selected agencies looked at seven divisions in six separate agencies, representing $261 million in spending, and found about 72 percent, or $187 million, was categorized as evidence- or research-based. This is a slight increase over the FY24 survey, which found that 67 percent of programming was classed as evidence- or research-based.

The survey of programs, selected cooperatively by LFC and the Department of Finance and Administration, is part of the Evidence and Research-Based Funding Requests Act, adopted in 2019, that amends the Accountability in Government Act by requiring certain agencies to collect and report on different programs y and to what degree those programs are backed by evidence.

The 2025 survey found strong use of evidence- and research-based approaches in the Corrections Department, with all spending above $100 thousand committed to programs supported by evidence or research. However, other agencies, such as the Behavioral Health Services Department at the Health Care Authority, have trouble classifying large portions of their spending. New to the inventory process this year, the Public Education Department's career technical education programs did not report requested outcomes for innovation zones and summer enrichment. Goals for next year include working with agencies to improve data sharing and coordination earlier in the inventory process.

Performance Report Card Criteria

Factors in a Green Rating	Factors in a Yellow Rating	Factors in a Red Rating
Process • Data is reliable. • Data collection method is transparent. • Measure gauges the core function of the program or relates to significant budget expenditures. • Performance measure is tied to agency strategic and mission objectives. • Performance measure is an indicator of progress in meeting annual performance target, if applicable. **Progress** • Agency met, or is on track to meet, annual target. • Action plan is in place to improve performance. **Management** • Agency management staff use performance data for internal evaluations.	**Process** • Data is questionable. • Data collection method is unclear. • Measure does not gauge the core function of the program or does not relate to significant budget expenditures. • Performance measure is not closely tied to strategic and mission objectives. • Performance measure is a questionable indicator of progress in meeting annual performance target, if applicable. **Progress** • Agency is behind target or is behind in meeting annual target. • A clear and achievable action plan is in place to reach goal. **Management** • Agency management staff does not use performance data for internal evaluations.	**Process** • Data is unreliable. • Data collection method is not provided. • Measure does not gauge the core function of the program or does not relate to significant budget expenditures. • Performance measure is not related to strategic and mission objectives. • Performance measure is a poor indicator of progress in meeting annual performance target, if applicable. • Agency failed to report on performance measure and data should be available. **Progress** • Agency failed, or is likely to fail, to meet annual target. • No action plan is in place for improvement. **Management** • Agency management staff does not use performance data for internal evaluations.

Performance Measure Guidelines

Elements of Good Performance Measures	Agency Quarterly Reports	Elements of Key Agency Reports	Elements of LFC Performance Report Card
Ideal performance measures should be • ***Useful***: Provide valuable and meaningful information to the agency and policymakers • ***Results-Oriented***: Focus on outcomes • ***Clear***: Communicate in a plain and simple manner to all stakeholders (employees, policymakers, and the general public) • ***Responsive***: Reflect changes in performance levels • ***Valid***: Capture the intended data and information • ***Reliable***: Provide reasonably accurate and consistent information over time • ***Economical***: Collect and maintain data in a cost-effective manner • ***Accessible***: Provide regular results information to all stakeholders • ***Comparable***: Allow direct comparison of performance at different points in time • ***Benchmarked***: Use best practice standards • ***Relevant***: Assess the core function of the program or significant budget expenditures	Each quarterly report should include the following standard items • Agency mission statement • Summary of key strategic plan initiatives • Program description, purpose and budget by source of funds • How the program links to key agency initiatives, objectives, and key performance measures • Action plan describing responsibilities and associated due dates	Key Measure reporting should include • Key performance measure statement • Data source to measure key measure results • Four years of historical data (if available) • Current quarter data (both qualitative and quantitative) • Graphic display of data as appropriate • Explanation for measures 10 percent or more below target • Proposed corrective action plan for performance failing to meet target • Action plan status • Corrective action plan for action plan items not completed	Each quarterly report card should include the following standard items • Key events or activities that affected the agency in the previous quarter • Status of key agency initiatives • National benchmarks for key measures, when possible • Explanation for any area(s) of underperformance • Agency action plans to improve results Analyst may include • Measures or data reported by another reputable entity when agency data is inadequate

Fourth-Quarter Report Card Ratings
FY24 vs. FY25

Department/Program	FY24	FY25	
Early Childhood Education and Care Department			
Family Support and Intervention	Y	Y	
Early Education, Care and Nutrition	Y	G	↑
Policy, Research, and Quality	G	G	
Prekindergarten	Y	R	↓
Children, Youth and Families Department			
Protective Services	R	R	
Juvenile Justice Services	Y	Y	
Behavioral Health Services	Y	Y	
Public Education Department			
Student Outcomes	R	R	
Department Operations	Y	G	↑
Department of Health			
Public Health	Y	Y	
Epidemiology and Response	R	R	
Scientific Laboratory	Y	Y	
Facilities Management	Y	Y	
Aging and Long-Term Services			
Consumer and Elder Rights	Y	Y	
Adult Protective Services	Y	Y	
Aging Network	R	Y	↑
Health Care Authority			
Medical Assistance	Y	R	↓
Income Support	R	Y	↑
Child Support Enforcement	Y	G	↑
Developmental Disabilities Support	Y	G	↑
State Health Benefits	R	G	↑
Health Improvement	NA	G	
Behavioral Health Collaborative			
Behavioral Health	R	Y	↑
Courts and Justice			
Administrative Support	G	G	
Special Court Services	G	Y	↓
District Attorneys	G	G	
Public Defender	G	G	
Department of Public Safety			
Law Enforcement	G	G	
Statewide Law Enforcement Support	Y	Y	
Corrections Department			
Inmate Management and Control	Y	Y	
Reentry	Y	Y	
Community Offender Management	Y	G	↑
Energy, Minerals and Natural Resources			
Energy Conservation and Management	G	G	
Healthy Forests	Y	G	↑
State Parks	G	G	
Mine Reclamation	G	G	
Oil and Gas Conservation	G	Y	↓

Department/Program	FY23	FY24	
State Engineer			
Water Resource Allocation	Y	G	↑
Interstate Stream Commission	G	Y	↓
Litigation and Adjudication	G	G	
Environment Department			
Water Protection	Y	Y	
Environmental Protection	Y	R	↓
Environmental Health	Y	Y	
Resource Protection	Y	R	↓
Economic Development Department			
Economic Development	Y	Y	
New Mexico Film Office	G	R	↓
Outdoor Recreation	G	G	
Tourism Department			
Marketing and Promotion	G	G	
New Mexico Magazine	G	G	
Tourism Development	G	G	
Workforce Solutions Department			
Employment Services	Y	Y	
Unemployment Insurance	R	Y	↑
Labor Relations	Y	Y	
Program Support and Workforce Invest.	Y	Y	
General Services Department			
Risk Management Funds	R	R	
Facilities Management	Y	R	↓
State Purchasing	G	R	↓
Transportation Services	Y	G	↑
State Printing	G	G	
State Personnel System			
Human Resource Management	Y	Y	
Taxation and Revenue Department			
Tax Administration	Y	Y	
Compliance Enforcement	Y	G	↑
Motor Vehicle	Y	G	↑
Program Support	G	G	
Property Tax	G	G	
Department of Transportation			
Project Design and Construction	Y	G	↑
Highway Operations	G	Y	↓
Modal	R	R	
Program Support	G	G	

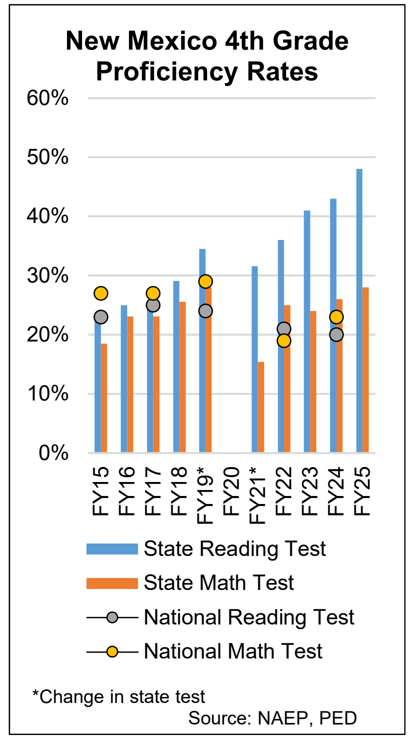
Programs with a Rating Upgrade	16	
Programs with a Rating Downgrade	11	
		FY24
Total FY25 Green Ratings	30	23
Total FY25 Yellow Ratings	27	35
Total FY25 Red Ratings	12	10

Despite continued growth in reading performance on the state assessment, New Mexico ranks at the bottom of the country on national assessments, and math performance continues to remain relatively flat on both tests. High school graduation rates showed another year of slight improvement but remain significantly lower than the national average. Chronic absenteeism rates continue to drop, mirroring national trends, and college remediation rates have begun to increase, indicating more New Mexico high school graduates are unprepared for college level coursework.

This slow and mixed progress led to heightened court action in the *Martinez-Yazzie* education sufficiency lawsuit this year, with a new order for the Public Education Department (PED) to develop a comprehensive remedial action plan by the end of 2025 to conclude the case. If the plan is not accepted by plaintiffs, the court will likely take over and assign a special master to enforce compliance.

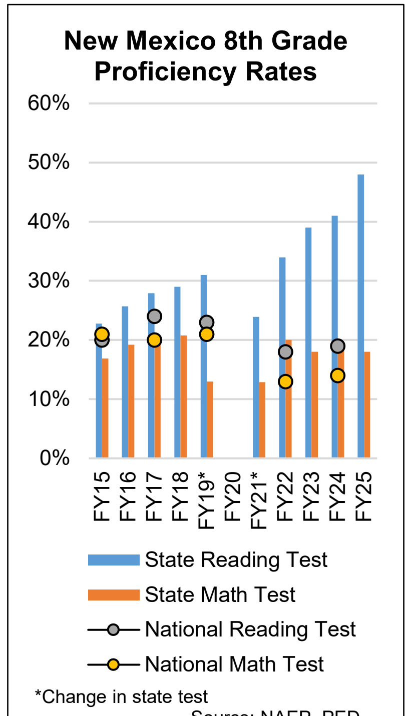
With nearly $2 billion in new recurring funds appropriated to public schools and PED programs since the 2019 ruling, funding increases alone have not addressed issues of low performance. To understand whether state efforts are affecting any of the student outcomes noted in the *Martinez-Yazzie* lawsuit, more programs will need to be evaluated for impact. Recent changes to the public education reform fund will create an opportunity to more rigorously evaluate PED programs and initiatives through cross-agency review and oversight. As the Legislature considers which programs to prioritize or continue, the reform fund process offers an option to test ideas before scaling up efforts or reallocating resources.

ACTION PLAN	
Submitted by agency?	No
Timeline assigned by agency?	No
Responsibility assigned?	No

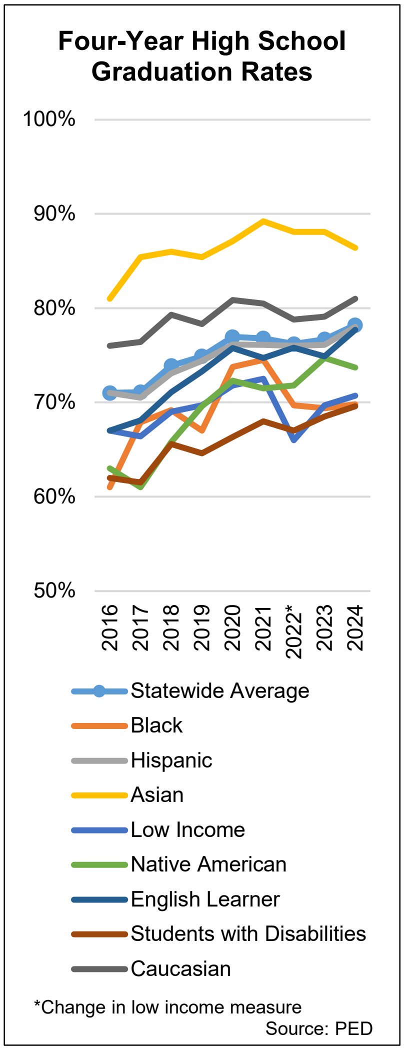


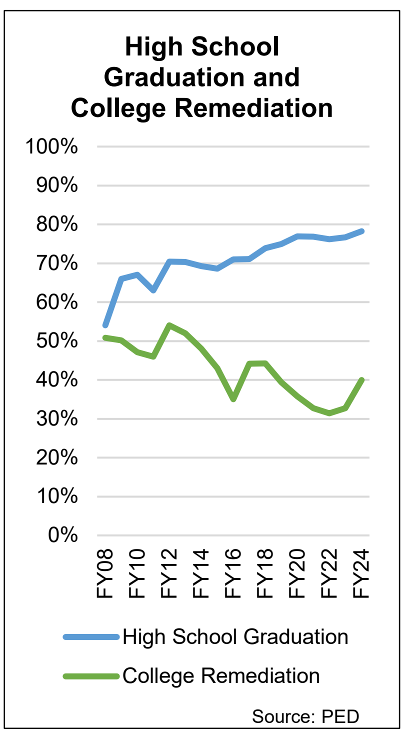
Student Outcomes

Reading and Math. Both fourth and eighth grade reading scores on the state standardized assessment, MSSA, show consecutive years of improvement following the pandemic; however, New Mexico students performed slightly worse on the national test, NAEP, for fourth grade between 2022 and 2024. For math, MSSA scores in fourth and eighth grades remained relatively flat, but fourth graders improved their NAEP math scores slightly over the same period. Overall, New Mexico ranked 50th in the nation on the NAEP tests. The differing trends between MSSA and NAEP limit the state's ability to determine how much progress has been made on student achievement.



Budget: $4,335,657.5 **FTE: N/A**	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Reading proficiency (4th grade)	41%	43%	39%	48%	G
Math proficiency (4th grade)	24%	26%	39%	28%	R
Reading proficiency (8th grade)	39%	41%	39%	47%	G
Math proficiency (8th grade)	18%	19%	39%	18%	R
High school graduation rate (4 year)	76.7%	78.2%	81%	No Report	Y
College remediation rate	38.4%	40%	29%	No Report	R
Chronic absenteeism (elementary)	37.7%	27.5%	10%	No Report	R
Chronic absenteeism (middle)	41.2%	33.6%	10%	No Report	R





Budget: $4,335,657.5 **FTE: N/A**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Chronic absenteeism (high)	42.9%	38.5%	10%	No Report	R
Students exiting English learner status (elementary)	3.9%	4.9%	10%	No Report	R
Students exiting English learner status (middle)	1.4%	2.6%	10%	No Report	R
Students exiting English learner status (high)	2.3%	3.3%	10%	No Report	R
Teacher vacancies*	690	751	N/A	619	G
Classroom spending in large districts*	72.1%	72%	N/A	71.9%	G
Program Rating	R	R			R

*Measure is classified as explanatory and does not have a target.

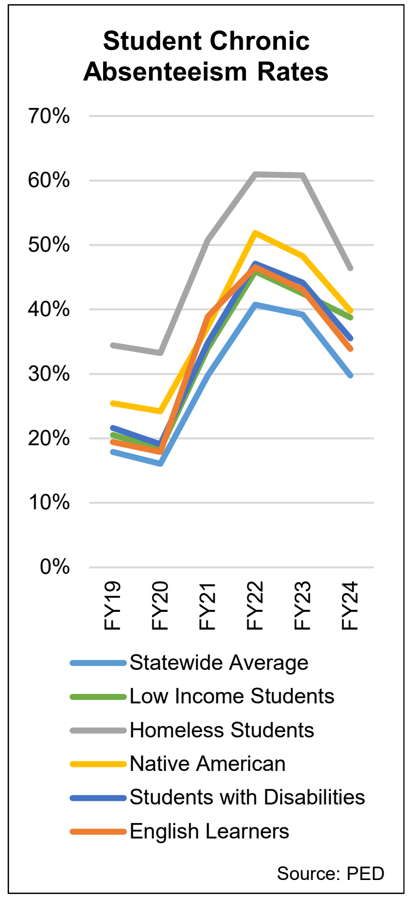
Graduation and Postsecondary Success. Four-year high school graduation rates increased slightly, rising to 78.2 percent for the class of 2024—a 1.5 percentage point improvement from 2023. Except for Asian and Native American students, all other student subgroups reported higher graduation rates, with the largest improvement reported by English learners at 2.8 percentage points. The department has not reported on graduation rates for the class of 2025 because PED is still in the process of certifying final graduation rates for students participating in summer programs. The class of 2024 was the last cohort given pandemic-era waivers for graduation requirements. As such, the class of 2025 will be the first cohort required to meet prepandemic graduation requirements.

However, adherence to prepandemic graduation requirements will be short-lived. Beginning in FY26, the incoming ninth grade class will have new statutory graduation requirements, including two locally determined course units and the removal of algebra 2 as a mandatory course. As these new requirements phase in, the state should track how the changes affect graduation rates and college remediation rates. In FY24, PED also signed an agreement with Level All, Inc., to provide a college and career readiness platform available to all students. The online platform will allow students to complete next step plans virtually and offer educators the ability to track and monitor student progress.

Alongside the increase in graduation rates, college remediation rates have also increased since the pandemic. The Higher Education Department (HED) has not published new information on college remediation for 2025; however, rates are trending upward. This reversal in prior year trends indicates that while more students are graduating, they are becoming less prepared for college level coursework. Students needing college remedial courses are less likely to graduate on time and are more likely to drop out—increasing the odds they will incur debt with no degree and decrease earning potential.

Chronic Absenteeism. PED has not yet reported statewide or grade level chronic absenteeism rates for FY25; however, the agency signed New Mexico onto a national campaign with Attendance Works, EdTrust, and American Enterprise Institute in 2024 to reduce chronic absence by 50 percent in five years. New Mexico's highest chronic absenteeism rate was 40.7 percent in FY22, which means the state has established a target of 20 percent chronic absenteeism by FY27. Given the chronic absenteeism rate in FY20 was 16 percent before school closures, this target is still above prepandemic performance levels.

Two FY26 public education reform fund initiatives will focus on improving attendance for students in general and students experiencing housing insecurity. As chronic absenteeism decreases nationally, the state will be challenged to determine whether the interventions on attendance are attributable to the programs or broader trends of student attendance improving postpandemic. As such, these programs will need more rigorous evaluation to measure impact and rule out other confounding factors.



Public Education Department

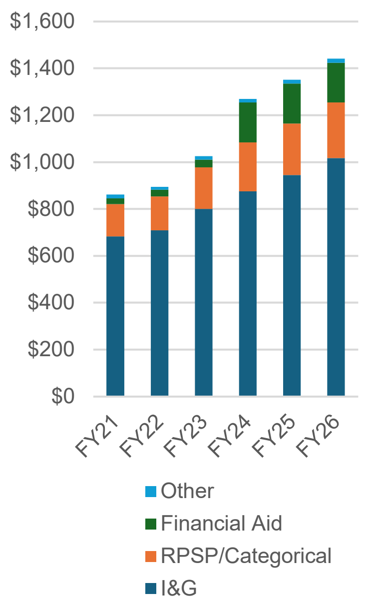
PED ended FY25 with 301 FTE, a decrease of 11 FTE from the beginning of the fiscal year, including the departure of two deputy secretaries. For the first time in the last two years, the department met targets for processing reimbursements, likely due to expiration of federal pandemic relief funds. According to the U.S. Department of Education (USDE), New Mexico spent 99.2 percent of the $1.5 billion awarded to elementary and secondary schools for pandemic relief. USDE notes in its spending report that New Mexico used the third round of aid, also known as the American Rescue Plan, in 2023 primarily for personnel salaries and benefits ($147.5 million), followed by other items ($27.5 million) and purchased property services ($23.7 million).

Budget: $24,521.6 **FTE: 354.0**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Average days to process reimbursements	38	35	22	16	G
Average days to process budget adjustments	7.2	7.8	6	7.8	R
Data validation audits of funding formula	12	30	30	15	R
Students with access to high-speed Internet	60%	79.8%	100%	67%	R
Students with access to a digital device	84%	89.7%	100%	95%	Y
Program Rating	R	Y			G

Higher Education

ACTION PLAN	
Submitted by agency?	No
Timeline assigned by agency?	No
Responsibility assigned?	No

General Fund Higher Education Spending
(in millions)



Source: LFC Files

Six-Year Graduation Rates

Institution	2014	2023
ENMU	28.0%	39.8%
NMHU	17.2%	25.6%
NM Tech	45.5%	56.4%
NMSU	45.7%	52.2%
Northern	15.3%	32.6%
UNM	47.8%	52.5%
WNMU	20.9%	34.9%
NM Avg.	**41.6%**	**48.2%**
US Avg.	**55.7%**	**58.7%**

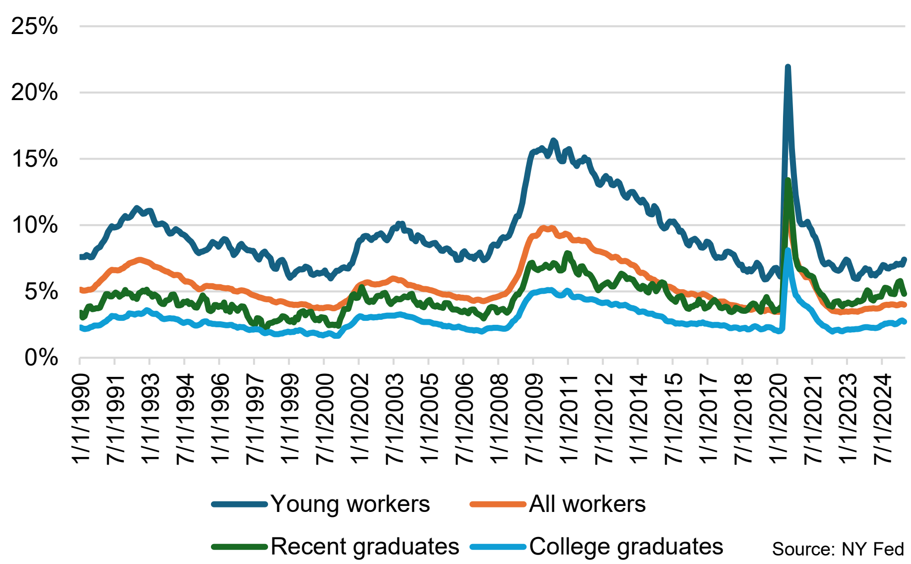
Source: IPEDS

For 30 years, New Mexico has led the nation in providing affordable access to higher education with enactment of the legislative lottery scholarship in 1996 and the creation of the opportunity scholarship in 2022. New Mexico students now pay among the lowest tuition rates in the nation and are accepted to college at increasing rates. However, despite low-cost tuition and state appropriations ranking third best in the nation, data show New Mexico's educational attainment has fallen relative to the national average, and low retention and graduation rates persist.

According to the U.S. Federal Reserve, New Mexico ranked 29th in the proportion of the population with at least a bachelor's degree in 2006 but fell to 40th in the nation by 2023. Only one other state, Alaska, fell further than New Mexico in educational attainment rankings. New Mexico's fall in educational attainment rankings came despite an overall increase in the proportion of bachelor's degree holders, meaning that U.S. educational attainment rose at a much faster pace than New Mexico attainment.

New Mexico faces rising skepticism about the economic value of a college degree, mirroring a national trend. Across the country, traditional credentials are under scrutiny, and institutions struggle to attract students. Although colleges point to long-standing evidence that bachelor's degree holders earn more than those with less education, recent federal data indicate this advantage is slipping. Since October 2018, unemployment for recent graduates has been higher than the overall workforce in 73 of 81 months—a sharp departure from 1990 to 2018, when this occurred only five times in 365 months.

Unemployment by Worker Characteristic



Source: NY Fed

There are no definitive causes to explain the unemployment trends for recent college graduates, but they do signal a need for institutions to reexamine course curriculum and career service offerings to ensure they are providing relevant education and assisting students find employment upon graduation.

Graduation and Retention

New Mexico lags the nation in graduation rates for both the four-year and two-year sectors; however, the gap between state performance and national performance is much larger at four-year colleges. Additionally, federal data on graduation rates are based on first-time, full-time college students and do not count students who begin on a part-time basis or those who are returning to college. The lack of data makes it difficult to determine how New Mexico two-year colleges perform and point to the need for more a robust metrics.

Four-year colleges in New Mexico report 48 percent of students graduating within six years of beginning a bachelor's degree program, compared with a national graduation rate of 59 percent. New Mexico two-year institutions have a three-year graduation rate for associate degrees of 26 percent compared with the national average of 33.8 percent. While difficulties in scheduling and maintaining a full-time course load may slow graduation, low student retention is likely the largest factor contributing to low graduation rates; only 72 percent of first-time, full-time New Mexico students are retained to the second year, 10 percent less than the national average. The 2023 retention rate is higher than it was during the pandemic, but it is slightly lower than it was 10 years ago.

While the creation of new scholarship programs increased affordability, creating an incentive for students to attend college, data from the Lumina Foundation show many of the barriers to completion for *enrolled* students are not financial. Forty-one percent of currently enrolled higher education students nationwide reported finding it "very difficult" or "difficult" to remain enrolled in their higher education program, from certificates to bachelor's degrees. The number one reason for considering stopping is emotional stress, at 55 percent, followed by personal mental health reasons, at 47 percent. Program cost is cited 29 percent of the time, suggesting the need for strategies to compliment affordability.

Over the past decade, federal data show New Mexico has fallen behind the region in terms of retention rates but has partially closed the gap in graduation rates. This finding may seem counterintuitive but is explained by the lag time in graduation; New Mexico institutions were at the national average for retention 10 years ago which translated into higher graduation rates in 2023. However, the state has lost ground on retention rates since 2014, making it likely that in future years lower retention will translate into lower graduation rates. This trend is problematic as it combines with overall demographic shifts that will result in fewer highly educated workers in the state's economy in the future.

The Legislature made appropriations to address low student retention by including additional funding in annual recurring appropriations for student support services. Additionally, $20 million was appropriated for the next three years to provide a performance bonus to four-year institutions that are able to achieve retention rate increases. Colleges and universities will need to demonstrate improvement in retention for these funds to be continued.

Affordability and Outcomes

According to the College Board, New Mexico had the second-lowest tuition and fees for two-year colleges and the nineth-lowest tuition and fees for four-year

Retention Rates by Institution

Institution	2014	2023
ENMU	59.3%	61.9%
NMHU	48.4%	56.9%
NM Tech	78.8%	76.8%
NMSU	73.7%	74.8%
NNMC	50.0%	60.5%
UNM	79.0%	72.9%
WNMU	55.3%	53.8%
NM Avg.	**73.3%**	**71.9%**
US Avg.	**79.1%**	**82.0%**

Source: IPEDS

Regional Retention Rates

State	2014	2023
Arizona	77%	83%
Colorado	71%	80%
New Mexico	**73%**	**72%**
Nevada	78%	79%
Oklahoma	74%	78%
Texas	72%	79%
Utah	69%	76%
Region Avg.	**73%**	**79%**

Source: IPEDS

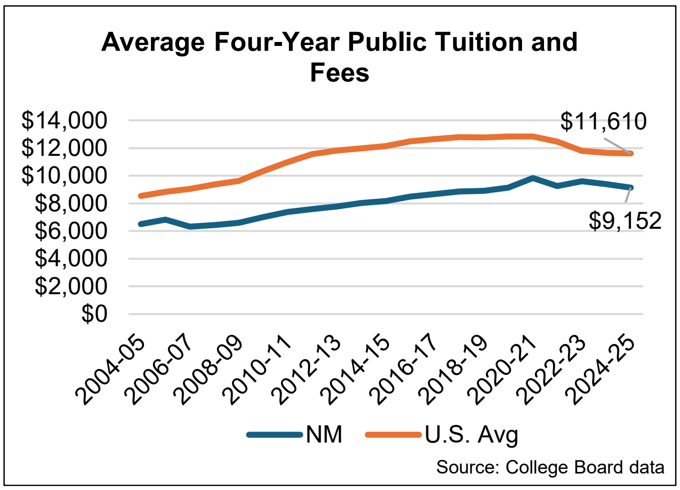
Regional Graduation Rates

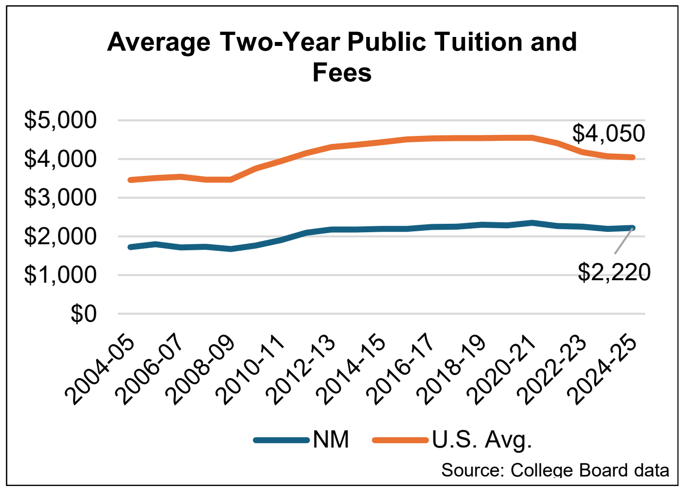
State	2014	2023
Arizona	59%	59%
Colorado	53%	53%
New Mexico	**41%**	**48%**
Nevada	35%	45%
Oklahoma	44%	50%
Texas	51%	49%
Utah	44%	51%
Region Avg.	**50%**	**51%**

Source: IPEDS

colleges. New Mexico four-year colleges charge 21 percent less in tuition and fees than the national average currently, and that gap has remained relatively consistent over the past 20 years. New Mexico two-year colleges charge 45 percent less than the national average currently, slightly higher than 20 years ago when these colleges charged 50 percent less.

Federal data show New Mexico students have average student debt of $34.9 thousand, below the $37.9 thousand for the United States on average. However, few New Mexico students take out college debt and the state ranks 45th in the proportion of students who carry college debt. Despite New Mexico's favorable rankings in terms of amount of debt taken and proportion of students taking on student debt, those who receive student loans struggle to pay them back. In 2019 and 2020, New Mexico had the third- and second-highest borrower delinquency rates in the nation.





Colleges and universities provide regular reporting to federal and state governments on metrics like enrollment, demographics, and graduation and retention rates. However, little is known about labor market outcomes for students post-graduation. The Higher Education Department has been working on a longitudinal data system since 2020 at a cost of $16.4 million. The system is supposed to track information from early childhood through adulthood and should be capable of allowing the state to determine wage and employment information for all New Mexicans. However, the system is not complete. This leaves a significant blind spot in performance outcome evaluation for higher education institutions.

Cost Per Certificate or Degree Awarded

(in thousands)

	2019-20 Awards	FY20 I&G GF	Cost Per Award FY20	2024-25 Awards	FY25 I&G GF	Cost Per Award FY25	% Change Awards	% Change Award Cost
NMT	370	28,308.7	76.5	365	38,028.4	104.2	-1%	36%
NMSU	3,057	120,020.6	39.3	3,210	164,341.5	51.2	5%	30%
UNM	5,230	194,435.8	37.2	4,834	264,831.4	54.8	-8%	47%
Research	**8,657**	**342,765.1**	**39.6**	**8,409**	**467,201.3**	**55.6**	**-3%**	**40%**
ENMU	1,233	28,730.9	23.3	1,210	43,361.8	35.8	-2%	54%
NMHU	839	28,669.1	34.2	747	38,763.2	51.9	-11%	52%
NNMC	154	10,403.2	67.6	244	13,390.6	54.9	58%	-19%
WNMU	618	18,151.1	29.4	807	27,690.2	34.3	31%	17%
4-Year	**2,844**	**85,954.3**	**30.2**	**3,008**	**123,205.8**	**41.0**	**6%**	**36%**
ENMU-RO	372	11,899.8	32.0	340	15,402.5	45.3	-9%	42%
ENMU-RU	53	2,106.4	39.7	236	2,525.7	10.7	345%	-73%
NMSU-AL	196	7,323.8	37.4	91	8,922.9	98.1	-54%	162%
NMSU-DA	1,210	23,658.3	19.6	1,164	30,138.2	25.9	-4%	32%
NMSU-GR	66	3,526.1	53.4	114	4,409.0	38.7	73%	-28%
UNM-GA	252	8,884.7	35.3	304	11,155.4	36.7	21%	4%
UNM-LA	96	1,887.6	19.7	58	2,417.8	41.7	-40%	112%
UNM-TA	134	3,764.7	28.1	152	4,930.3	32.4	13%	15%
UNM-VA	197	5,729.9	29.1	147	7,262.6	49.4	-25%	70%
CNM	6,765	59,961.4	8.9	4,163	79,826.8	19.2	-38%	116%
CCC	530	9,837.3	18.6	575	12,851.8	22.4	8%	20%
LCC	72	7,012.9	97.4	107	9,046.9	84.6	49%	-13%
MCC	220	4,081.0	18.6	204	5,105.7	25.0	-7%	35%
NMJC	338	5,713.1	16.9	407	7,634.7	18.8	20%	11%
SJC	1,211	24,573.0	20.3	1,097	31,506.5	28.7	-9%	42%
SFCC	676	10,421.9	15.4	567	14,072.3	24.8	-16%	61%
SENMC	124	4,271.2	34.4	114	5,254.6	46.1	-8%	34%
2-Year	**12,512**	**194,653.1**	**15.6**	**9,840**	**252,463.7**	**25.7**	**-21%**	**65%**
Grand Total	**24,013**	**623,372.5**	**26.0**	**21,257**	**842,870.8**	**39.7**	**-11%**	**53%**

Source: LFC Files

Methodology: Total awards from funding formula data. GF appropriations from LFC post session.

Early Childhood Education and Care Department

ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	No

The Early Childhood Education and Care Department (ECECD) reported mixed results for FY25, particularly in meeting prekindergarten educational outcome targets and connecting Comprehensive Addiction and Recovery Act families, those with substance-exposed newborns, to agency services and supports. However, the department made significant progress and exceeded targeted performance for families enrolled in Medicaid-funded home visiting. Increased enrollment in this program has been a focused performance goal for the Legislature.

Family Support and Intervention

The program, primarily consisting of the Family, Infant, Toddler (FIT) developmental disabilities intervention program, the Families First case management program, and the Home Visiting parental education and support program, reported mixed results for performance targets and exceeded the targeted performance enrollment in Medicaid-funded home visiting, increasing from 402 in FY24 to 1,467 in FY25. Increasing family enrollment in Medicaid-funded home visiting has been a policy priority of Legislature. If implemented well, in combination with other child welfare interventions, certain home visiting models, such as Nurse Family Partnership, Health Families America, and SafeCare Augmented, could help the state reduce child maltreatment.

Budget: $78,0616.6 **FTE: 58**	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Number of families enrolled in Medicaid Home Visiting	440	402	1,250	1,467	G
Average annual number of home visits per family	19	22	20	23	G
Percent of children enrolled in home visiting for longer than six months that receive regular well child exams as recommended by the American Academy of Pediatrics	88%	91%	90%	91%	G
Percent of parents participating in the New Mexico home-visiting program for at least eight months who demonstrate progress in practicing positive parent-child interactions as demonstrated by the state-approved, evidence-based screening tool	79%	82%	80%	83%	G
Percent of women enrolled in Families First who are eligible for Medicaid and access prenatal care by the twenty-eighth week of pregnancy	90%	90%	93%	86%	R
Percent of children making significant improvement annually in social emotional skills, knowledge and skills and appropriate behavior	New	Not Reported	78%	78%	G
Percent of women that are pregnant when they enroll in home visiting who access postpartum care	New	New	90%	80%	R
Percent of eligible infants and toddlers with individual family service plan for whom an initial evaluation and initial assessment and an initial individual family service plan meeting were conducted within the forty-five-day timeline	93%	94%	100%	97%	R
Percent of home visiting families with face-to-face visits, monthly*	New	91%	NA	94%	
Percent of families enrolled in Families First by the twenty-eighth week of pregnancy	New	65%	80%	62%	R
Percent of families enrolled in home visiting by the twenty-eighth week of pregnancy	New	75%	30%	44%	G

Budget: $78,0616.6 **FTE: 58**	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Percent of families enrolled in home visiting who receive safe sleep education and supporting materials and follow the recommended safe sleep practices	New	82%	80%	79%	Y
Percent of pregnant women enrolled in home visiting who are eligible for Medicaid and access prenatal care by the twenty-eighth week of pregnancy	New	93%	80%	92%	G
Percent of women who are pregnant when they enroll in Families First and access postpartum care	New	100%	75%	47%	R
Percent of Comprehensive Addiction and Recovery Act families connected to agency services and supports	New	New	60%	45%	R
Program Rating	Y	Y			Y

*Measure is classified as explanatory and does not have a target.

Early Education, Care and Nutrition

The Early Education, Care and Nutrition Program is primarily composed of Childcare Assistance, the Family Nutrition Bureau, and prekindergarten. Prior to the pandemic, Childcare Assistance average monthly enrollment had been relatively flat, ranging between 18 thousand and 20 thousand children a month. However, in fall 2020, enrollment declined significantly to 15 thousand. In FY21, average monthly enrollment was 14.5 thousand. The average monthly cost per child, however, increased to $676, or $8,117 annually. At the close of FY22, monthly enrollment had increased to nearly 22 thousand, and the average monthly cost was at $734, or $8,810 annually. In April 2022, ECECD announced Childcare Assistance income eligibility would increase to 400 percent of the federal poverty level (FPL) and all co-payments would be waived. At the close of FY25, enrollment had increased to over 30 thousand. Of that population, over 30 percent are above 200 percent of the FPL.

Additionally, a report released by New Mexico's Cradle to Career Policy Institute (CCPI) in early 2025, which examined childcare capacity and families served, found the number of childcare slots used by families living at or below 100 percent of the FPL has declined 2.9 percent since 2019. This finding indicates that while more families are served by Childcare Assistance than ever before, the families with the highest need are not necessarily the most likely to be served.

Budget: $380,195.9 **FTE: 157**	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Percent of infants and toddlers participating in the childcare assistance program enrolled in childcare programs with four- or five-stars	58%	65%	75%	69%	G
Average monthly co-pay as a percentage of monthly income	New	New	7%	0%	Y
Average length of time enrolled in months for families receiving childcare assistance	New	18	12	18	G
Percent of children attending full-time childcare, defined as thirty hours or more a week	New	73%	75%	72%	R
Percent of enrolled families at or below one hundred twenty-five percent of the federal poverty level	New	42%	70%	39%	R
Program Rating	Y	Y			Y

Ratio of Infant Slots to Children Under Two by County

County	Births Per Two Years from Census	Infant Slots	Ratio
Bernalillo	13090	5222	0.40
Catron	8	2	0.26
Chaves	1451	444	0.31
Cibola	554	103	0.19
Colfax	208	14	0.07
Curry	1474	501	0.34
De Baca	53	2	0.04
Dona Ana	4898	2341	0.48
Eddy	1636	191	0.12
Grant	483	195	0.40
Guadalupe	86	28	0.32
Harding	8	0	0.00
Hidalgo	94	24	0.25
Lea	2216	465	0.21
Lincoln	313	68	0.22
Los Alamos	348	223	0.64
Luna	703	128	0.18
McKinley	1654	337	0.20
Mora	38	16	0.42
Otero	1678	421	0.25
Quay	93	48	0.52
Rio Arriba	713	139	0.20
Roosevelt	463	167	0.36
San Juan	2878	689	0.24
San Miguel	2677	122	0.05
Sandoval	449	660	1.47
Santa Fe	2330	408	0.18
Sierra	146	39	0.27
Socorro	269	93	0.35
Taos	438	134	0.31
Torrance	285	67	0.23
Union	133	0	0.00
Valencia	1806	459	0.25

Source: LFC Files

Policy, Research and Quality

The Policy, Research and Quality Program reported meeting targeted performance measures. The program's primary purpose is to manage initiatives to improve the quality of early childhood education and care programs and professional development support for providers. The program also provides data assessment and support in addition to policy development for the department. The program leads the state's childcare tiered quality rating and improvement system, Focus.

Budget: $37,275.6 **FTE:** 36	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Percent of early childhood professionals, including tribal educators, with degrees and/or credentials in early childhood related fields	Not Reported	77%	50%	76%	G
Percent of licensed childcare providers participating in Focus tiered quality rating and improvement system	64%	65%	60%	66%	G
Percent of licensed childcare providers participating in Focus tiered quality rating and improvement system at the four- and five-star level	60%	62%	60%	65%	G
Number of infant early child mental health professionals trained and onboarded	New	15	15	21	G
Percent of early childhood professionals receiving support from infant early child mental health consultants	New	30%	10%	34%	G
Program Rating	Y	Y			G

LFC analysis found that for every 100 children under the age of 2 in New Mexico, only 32 childcare slots are available. Sandoval County shows the highest ratio at 1.47, likely due to spillover from families in Bernalillo County who travel north when they cannot access childcare closer to home. Bernalillo County's ratio is 0.40—meaning that for every 100 children under two, only 40 have an available childcare slot. Doña Ana County and Santa Fe County, the other major population centers in New Mexico, have ratios of 0.48 and 0.18, respectively.

Prekindergarten

Performance measures for the program are reported annually. New Mexico PreK, an early education program for 3- and 4-year-olds, currently serves over 17 thousand children. Despite certain obstacles to expansion, New Mexico has made substantial strides in ensuring sufficient funding is in place to guarantee all 4-year-olds have access to some form of early education through Childcare Assistance, New Mexico PreK, or the federal Head Start program. New Mexico ranks 14th in spending on prekindergarten, 13th for providing access to 3-year-olds, and 13th in access for 4-year-olds, according to the National Institute for Early Education Research (NIEER). As of FY25, the state appropriated over $222 million on prekindergarten and early prekindergarten statewide.

National bodies of research and LFC evaluations have consistently found that participation in prekindergarten is positively correlated with improved social and academic outcomes, including higher high school graduation rates. The 2025 LFC evaluation, *Prekindergarten Quality and Educational Outcomes*, confirmed the New Mexico's prekindergarten program continues to produce positive results—particularly for children from low-income households, as measured by participation in the free and reduced-price lunch (FRL) program.

Prekindergarten participants demonstrated stronger early literacy skills than their peers: 28.12 percent of New Mexico prekindergarten students scored proficient on Istation beginning-of-year assessments, compared with 23.93 percent of children without prekindergarten experience. Low-income students experienced the largest academic gains. FRL-eligible students who attended prekindergarten saw a 10-percentage-point increase in reading proficiency between the end of kindergarten and third grade, while non-FRL participants saw a 4-percentage-point gain over the same period.

Budget: $238,173.6 **FTE: 17**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Percent of children who were enrolled for at least six months in the state-funded prekindergarten program who score at first step for kindergarten or higher on the fall observation kindergarten observation tool	New	49%	80%	50%	R
Percent of children participating in public and private state-funded New Mexico prekindergarten program for at least six months showing measurable progress on the school readiness spring preschool assessment tool	92%	91%	92%	91%	Y
Percent of children who participated in the prekindergarten, for at least nine months, who are proficient in math in kindergarten	63%	52%	80%	54%	R
Percent of children who participated in the prekindergarten program, for at least nine months, who are proficient in literacy in kindergarten	60%	51%	80%	51%	R
Program Rating	Y	Y			R

*Measure is classified as explanatory and does not have a target.

Children, Youth and Families Department

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	No

Throughout FY25, the Children, Youth, and Families Department (CYFD) struggled to improve outcomes for children and families. After the department failed to achieve the terms of the *Kevin S.* settlement agreement—including decreasing Protective Services caseloads, increasing the number of resource (foster care) homes and community-based placements, and expanding access to children's behavioral health services—an arbiter issued two remedial orders for compliance. Further, in the most recent Child and Family Services Review, the federal Children's Bureau found that New Mexico was not in substantial conformity with any of the seven safety, permanency, or well-being outcomes evaluated.

New Mexico consistently ranks among the top six states for repeat maltreatment occurring within 12 months of the initial allegation, and in FY25 the state's reported rate of repeat maltreatment remained close to 15 percent and higher than the national average. Although the state has enacted legislation and significantly increased appropriations for evidence-based approaches to reduce and prevent maltreatment, such strategies have largely not yet been implemented. In FY25, the number of children in foster care remained close to FY24 levels at over 2,000 children monthly, an increase from prior years. The department continues to face challenges recruiting and retaining a professional social-worker workforce, and turnover in Protective Services increased in FY25 after seeing some improvement in FY24. While some indicators of Protective Services performance have improved, others are trending in a negative direction. In juvenile justice services, while several indicators are trending in a positive direction, populations in secure facilities continue to be high relative to previous trends, and indicators related to safety in secure facilities raise some concern.

2025 Child and Family Services Review

The federal Children's Bureau found that NM was not in substantial conformity with the following seven outcomes:

- Children are, first and foremost, protected from abuse and neglect.
- Children are safely maintained in their homes whenever possible and appropriate.
- Children have permanency and stability in their living situations.
- The continuity of family relationships and connections is preserved for families.
- Families have enhanced capacity to provide for their children's needs.
- Children receive appropriate services to meet their educational needs.
- Children receive adequate services to meet their physical and mental health needs.

Protective Services

Prevention. Prevention and early intervention are key to reducing maltreatment and repeat child maltreatment, and several evidence-based options for preventing repeat maltreatment could be expanded and leveraged to garner more federal revenue and improve outcomes. In the past five years, CYFD preventive services expenditures grew significantly, though these expenditures remain a small percent of all Protective Services spending. Previous LFC reports have noted New Mexico is missing out on federal revenue to fund evidence-based programs to prevent and reduce child maltreatment because New Mexico did not have an approved Family First Prevention Services Act plan. On September 17, 2025, CYFD received approval of a revised plan submitted to the federal government at the end of August. The plan becomes effective October 1, 2025 and provision of two included services, Motivational Interviewing and SafeCare, will be eligible for federal reimbursement.

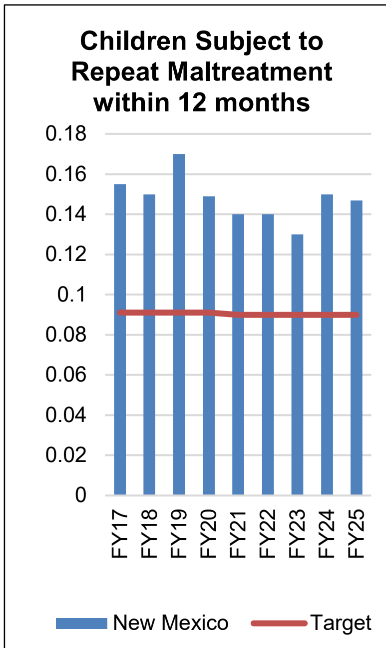
In FY25, repeat maltreatment remained close to 15 percent, well above the national benchmark of 9 percent. The repeat maltreatment measure is an indicator of how successfully CYFD is facilitating families' engagement in secondary prevention and intervention services. The greatest opportunity to intervene and prevent repeat maltreatment exists near the initial case, and the repeat maltreatment data reflects organization practice roughly a year prior. Of concern, after remaining relatively stable in FY23 and FY24, maltreatment in foster care increased by over

20 percent in FY25. The department did not provide fourth quarter performance data regarding the percent of children in foster care who have at least one monthly visit with their case worker for FY25, but in the third quarter of FY25 only 75 percent of children had monthly visits.

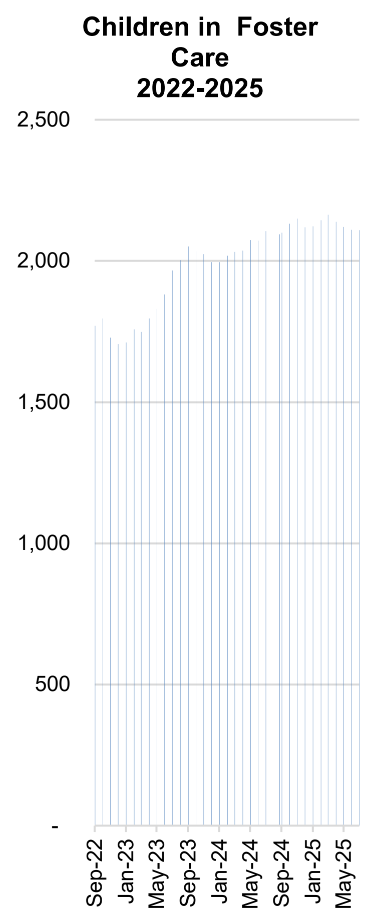
To address maltreatment, CYFD requires a professional social worker workforce, but the department continues to struggle to recruit and retain Protective Services staff. After improving slightly in FY24, turnover in the program again increased to 37 percent in FY25.

Foster Care. The number of children in foster care in New Mexico steadily declined from FY17 to FY23, when the trend reversed. In July 2025, 2,109 children were in foster care. Throughout FY25, 764 youth entered foster care, and 564 youth exited foster care. The percentage of children who achieved permanency within 12 months has declined since FY22. In FY25, only 24 percent of children in foster care between one and two years achieved permanency within 12 months, a decrease of 10 percentage points relative to FY24. In addition, 252 youth were placed in short stays (i.e., a foster care placement of less than 30 days), a figure that, if counted with foster care entries, would constitute 25 percent of youth in foster care.

Placement of children in CYFD custody remains a significant challenge for the department. The FY25 rate of 7.9 moves per 1,000 days of foster care is almost twice the performance target, and the number of foster care (resource) homes remained relatively flat over the year. Despite legislative concerns and requirements of the *Kevin S.* settlement, CYFD opened two congregate (group) care facilities in Albuquerque in FY25.



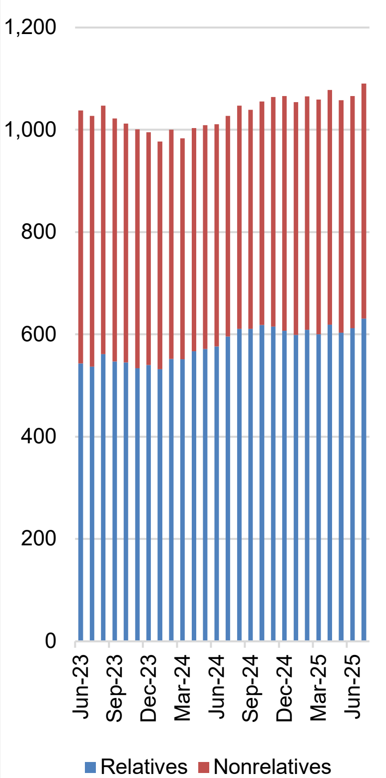
Source: CYFD



Source: CYFD

Budget: $230,995.7	**FTE:** 1,179	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Maltreatment						
Percent of children in foster care who have at least one monthly visit with their case worker*		92%	86%	N/A	Not reported	
Children who were victims of a substantiated maltreatment report who were victims of another substantiated maltreatment allegation within twelve months of their initial report		14%	15%	10%	15%	R
Rate of maltreatment victimizations per one hundred thousand days in foster care within a rolling twelve month period		10.2	10.0	8.5	12.4	R
Families that participated in in-home services or family support services and did not have a subsequent substantiated report within the next twelve months		70%	74%	80%	82%	G
Fatalities or near-fatalities in a rolling twelve-month period that had protective services involvement in the twelve months preceding the incident		Reported differently	57%	15%	34%	R
Average statewide central intake call center wait time, in seconds		29	76	50	78	Y
Foster Care						
Turnover rate for protective services workers		37%	34%	30%	37%	R
Of the children who enter care during a 12-month period and stay for greater than 8 days, placement moves rate per 1,000 days of care		7.6	8.1	4.1	7.9	R
Children in foster care more than eight days who achieve permanency within twelve months of entry into foster care		33%	34%	41%	32%	R

Foster Families 2023-2025



Source: CYFD

Budget: $230,995.7	**FTE:** 1,179	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Children removed during a rolling twelve-month period who were initially placed with a relative or fictive kin		New	32%	45%	36%	Y
Children in foster care for twenty-four months or more at the start of a twelve-month period who achieve permanency within twelve months		31%	25%	30%	24%	R
Foster care placements currently in kinship care settings		52%	48%	42%	47%	G
Children in foster care for twelve to twenty-three months at the start of a twelve-month period who achieve permanency within those twelve months		34%	34%	44%	24%	R
Eligible youth who enrolled in Fostering Connections upon emancipation from foster care		New	81%	95%	84%	Y
	Program Rating	R	R			R

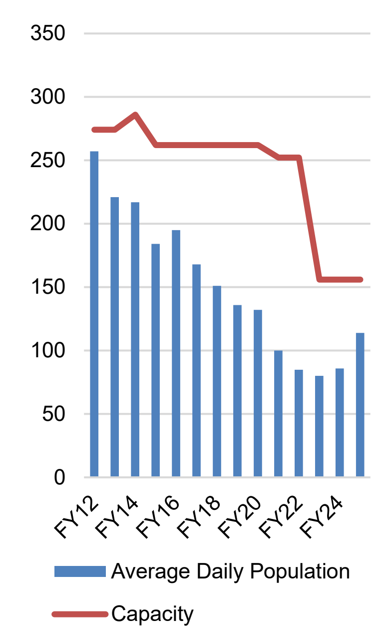
*Measure is classified as explanatory and does not have a target.

Juvenile Justice Services

Until FY24, the number of youths incarcerated in secure juvenile justice facilities in New Mexico steadily decreased for about a decade from the state's peak as CYFD implemented evidence-based practices. In FY25, the number of youths in secure juvenile justice facilities continue to increase, from an average census of 80 in FY23 to an average census of 114 in the first half of FY25. However, the average daily census remains below capacity in the state's two secure juvenile justice facilities, the Youth Diagnostic and Development Center in Albuquerque and the J. Paul Taylor Center in Las Cruces. And, although referrals to JJS have increased since reaching a low point during the pandemic, referrals remain below prepandemic levels. Within secured facilities, the number of substantiated complaints of abuse or neglect increased in FY25 and the rate of physical assaults remained above targets.

The department continues to perform well with regard to recidivism. In FY25, 85 percent of youth discharged from active field supervision did not recidivate within two years and 72 percent of those discharged from secure facilities did not recidivate within two years. Consistent with recent trends, about 90 percent of youth successfully completed formal and informal probation.

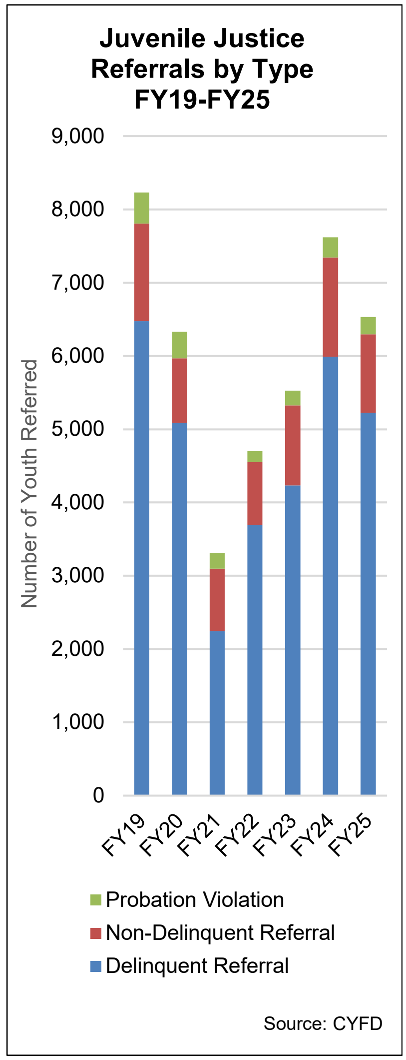
Juvenile Justice Secure Facility Population



Source: CYFD

Budget: $82,322.6	**FTE:** 736.5	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Turnover rate for youth care specialists		42%	34%	21%	27%	Y
Percent of clients who successfully complete formal probation		93%	90%	93%	91%	Y
Percent of clients who successfully complete informal probation		Not reported	91%	80%	91%	G
Percent of clients successfully completing term of supervised release		Not reported	Not reported	78%	73%	Y
Number of substantiated complaints by clients of abuse or neglect in juvenile justice facilities		4	0	3	5	R
Percent of youth discharged from active field supervision who did NOT recidivate within two years		Reported differently	87%	80%	85%	G
Rate of physical assaults per one thousand days youth spent in facilities		Reported differently	5.5	3.8	5.1	Y

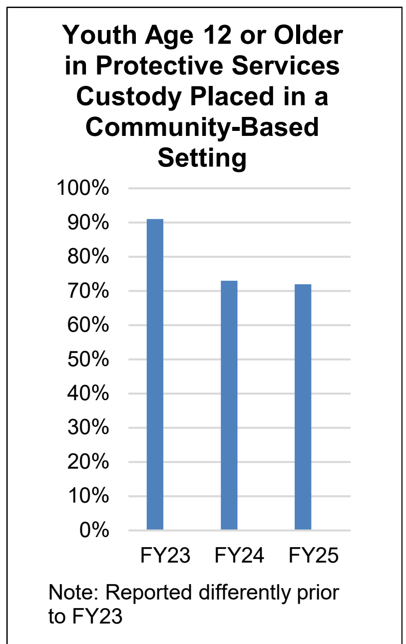
Budget: $82,322.6	**FTE:** 736.5	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Percent of discharged from a secure facility who did NOT recidivate in the following two-year period		Reported differently	66%	55%	72%	G
Youth served by juvenile justice who are placed in a less-restrictive, community-based setting		New	94%	93%	94%	G
Percent of clients reviewed at 40 days		0%	Not reported	92%	95%	G
Youth aged seventeen and older at time of discharge from a secure facility who obtained a diploma or GED while at the facility		73%	74%	50%	74%	G
	Program Rating	R	Y			Y



Behavioral Health Services

Within the Behavioral Health Program, performance on key measures related to supporting children's to access care fell below performance targets. Most notably, in FY25, only 48 percent of Protective Services-involved youth received consultation from a community behavioral health clinician. In 2022, the Legislature appropriated $20 million for start-up costs for behavioral health providers to establish evidence-based services that would be eligible for Medicaid or federal Title IV-E (foster care) funding. After being unspent for several years and reauthorized for FY25, less than $5 million of the appropriation was ultimately spent for the intended purpose.

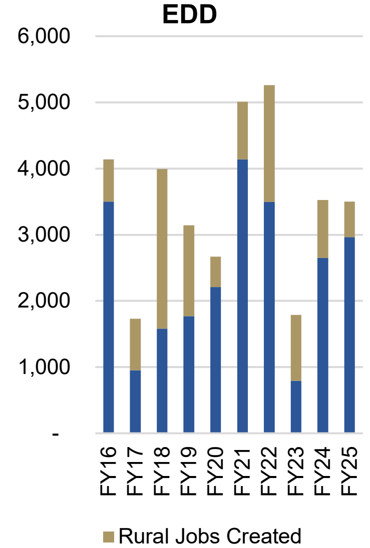
Budget: $53,109.2	**FTE:** 123	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Children with at least one electronic benefit transfer service need identified in their CANS assessment who have accessed that service, to include placements that correspond with the recommended level of care		103%	Not reported	65%	Not reported	N/A
Infant mental health program participants showing improvement developmentally through clinical assessment and observation		N/A	93%	90%	89%	Y
Domestic violence program participants who agree or strongly agree that because of their participation in the program as a parent, they have a better understanding of the impact that domestic abuse or violence can have on children		94%	96%	95%	94%	G
Youth age twelve or older in protective services custody who are placed in a less restrictive, community-based setting		91%	85%	73%	72%	Y
Domestic violence program participants who agree or strongly agree that staff and advocates regularly discuss their safety needs, including specific things they can do to keep themselves safe		90%	92%	95%	93%	Y
Clients enrolled in multisystemic therapy who demonstrate improvement in one or more behavioral health outcomes		80%	92%	90%	93%	G
Percent of protective services-involved youth in the target population who receive consultation from a community behavioral health clinician		66%	15%	75%	48%	R
Percent of juvenile-justice involved youth in the estimated target population who have received consultation from a community behavioral health clinician		Reported differently	63%	75%	72%	Y
	Program Rating	Y	Y			Y



Economic Development Department

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes



Source: LFC

Total Cost per Job
(in thousands)

	JTIP	LEDA
FY19	$8.1	$11.7
FY20	$8.8	$8.1
FY21	$7.8	$15.5
FY22	$12.6	$8.7
FY23	$13.9	$13.2
FY24	$12.4	$12.9
FY25	$11.9	$7.3

Source: EDD and LFC Files

The Economic Development Department (EDD) delivered mixed results in its FY25 performance measures. EDD created nearly 3,500 jobs—consistent with FY24 but slightly below its target of 4,000 jobs. Job creation in rural areas has steadily declined since FY22; in FY25, EDD created 537 rural jobs, well below its target. The agency continued to support infrastructure development through the Local Economic Development Act (LEDA), awarding $20 million in LEDA to seven projects, and initiating its site readiness initiative by evaluating public industrial parks. To support workforce development, EDD funded training for 1,487 employees through the Job Training Incentive Program (JTIP), falling short of both FY24 results and the program's target. At the close of FY25, LEDA and JTIP had balances of $76.6 million and $35.5 million, respectively. Film production experienced significant decline across the country, and New Mexico recorded its lowest levels of in five years for worker days, wages paid to film workers, and estimated direct spending by film production.

Economic Development

Job Creation. In FY25, EDD reported creating 3,499 jobs—slightly below its target of 4,000 jobs but consistent with FY24 results. The average projected wage for those jobs was $87.8 thousand, which rose significantly in the last quarter after EDD announced public support for NMexus Center. Of total projected jobs created, 537 were created in rural areas, well below the agency's target of 1,320 and 47.4 percent lower than rural jobs created in FY24. Since FY22, EDD has steadily reported creating fewer rural jobs—decreasing from a high of 1,766 in FY22 to 537 in FY25. The agency did not include an improvement plan for increasing rural job numbers.

Infrastructure. The Local Economic Development Act (LEDA) allows state and local governments to provide grants or infrastructure to companies expanding or relocating to New Mexico, essentially serving as a closing fund. In FY25, EDD committed a total of $20 million in LEDA funding to seven projects, including $5 million for the NMexus Center in the fourth quarter. If successful, those projects intend to invest an additional $72 million in capital expenditures over the extent of their agreements. If successful, LEDA projects could result in 2,712 jobs with an average wage of $95 thousand. The average cost per job for LEDA in FY25 was $7,300. As of June 2025, the LEDA fund had a balance of $76 million, 20 percent higher compared to the previous year.

EDD used a one-time appropriation of $500 thousand for a site readiness pilot and contracted with Global Location Strategies (GLS) to evaluate 28 publicly owned sites. GLS identified Clovis Industrial Park, Las Cruces Innovation and Industrial Park, and EnergyPlex Park as the most ready for industrial development. Site readiness projects will continue in coming years, supported by a $24 million appropriation over the next three years for site characterization and site improvements.

Job Training. EDD administers the Job Training Incentive Program, which reimburses wages for trainees in newly created jobs in expanding or relocating businesses. In FY25, EDD approved $17.3 million of JTIP funding to train 1,487 employees, a 37 percent decrease compared to the 2,359 employees trained in FY24. The average wage this fiscal year was $25.28, 13.6 percent lower than New Mexico's average wage of $28.99, and an average cost per job of $11.9 thousand. Notable JTIP awards this fiscal year include $1.6 million for Arcosa Wind Towers for 122 trainees, $1.4 million for Frankling Mountain Packaging for 128 trainees, and $1.2 million for Biltwise Structures for 103 trainees. At the end of the fiscal year, the JTIP fund had a balance of $35.5 million, 1.5 percent lower compared to the previous year.

Business Relocation. The New Mexico Partnership was created as a mechanism to entice and entertain companies considering relocating to New Mexico. New Mexico Partnership had a $1 million contract with EDD in FY25. In FY25, the New Mexico Partnership reported creating 1,016 jobs. The organization facilitated 24 site visits and engaged with 65 companies in FY25. New Mexico Partnership indicates plans to attend more trade and site selector events to increase the funnel of leads. The organization also plans to hire interns to support staff with anticipated increased workload.

Science and Technology. The Technology and Innovation Office (TIO), formerly the Office of Strategy, Science and Technology, administers a variety of grant programs that provide grant funding to small businesses engaged in research and development focused in advanced computing, advanced energy, aerospace, bioscience, intelligent manufacturing, and water technologies, as well as providing business assistance to startups. In FY25, 10 companies reported receiving $128 million of additional investments after receiving funding from the office.

Budget: $25,738.5 **FTE:** 57	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Number of jobs created due to department efforts	1,790	3,523	4,000	3,499	R
Number of rural jobs created due to department efforts	996	871	1,320	537	R
Average wage of jobs created	$56,503	$56,684	$50,000	$87,800	G
Wages for jobs created in excess of prevailing local wages	$13,630	$6,001	$7,500	$31,522	G
Number of jobs created by New Mexico Partnership	165	1,995	2,250	1,016	R
Number of jobs created through LEDA	1,092	2,356	3,000	2,712	R
Dollars of private sector investment in MainStreet districts, in millions	$52.9	$51.6	$30	$72	G
Number of building rehabilitations assisted by MainStreet	278	241	200	259	G
Number of workers trained by JTIP	1,255	2,359	2,000	1,487	R
Dollars of follow-on investment in technology-based companies from OSST, in millions	$1	$128.2	$2	$174	G
Program Rating	Y	Y			Y

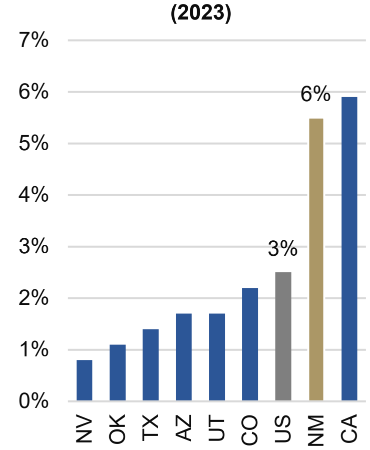
Outdoor Recreation

Trails+ Grant Program. In FY25, the agency awarded $13.6 million of Trails+ funding to 74 projects. The funding will leverage an additional $11 million in

Research and Development Activity in New Mexico

In 2023, research and development activity accounted for 5.5 percent of New Mexico's gross domestic product (GDP), more than double the national average of 2.5 percent, and an increase of 10 percent over 2022. Growth was driven primarily by the information sector and federal defense activity. New Mexico ranks among the top states for research and development share of GDP, just below California, Washington, and Massachusetts.

Research and Development Contribution to State GDP (2023)



Source: U.S. Bureau of Economic Analysis

Creative Industries Division

The Creative Industries Division was created in 2023 to support creative industry entrepreneurs, small businesses, and organizations. In FY25, it assisted 865 entrepreneurs with referrals and program connections, hosted the Creative Industries Season 2025 with workshops and networking, awarded $5,000 grants to seven creative events statewide, and provided $10 thousand capacity-building grants to seven creative businesses.

Land of Enchantment Legacy Distribution
(in thousands)

	Trails+	Outdoor Equity
FY25	$1,418.00	$472.67
FY26 Est.	$2,023.12	$674.37
FY27 Est.	$2,172.44	$724.15
FY28 Est.	$2,297.78	$765.93
FY29 Est.	$2,404.68	$801.56
FY30 Est.	$2,497.41	$832.47

Source: CREG Aug 2025 Projections

private and regional matching funds and will create 1,123 jobs over the next 24 months. ORD opened four rounds of Trails+ grant funding in FY25 supported by a $10 million one-time appropriation and a $1.4 million distribution from the land of enchantment legacy fund.

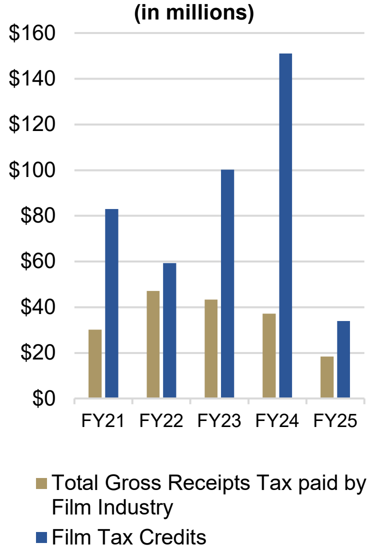
Outdoor Equity Fund. In FY25, the agency awarded $851.4 thousand with outdoor equity funding to 43 organizations, with grants ranging from $5,000 to $40 thousand. Funding will support outdoor education programs for 10.9 thousand youth, significantly fewer than the number of youth reached in FY24 due to less funding. Grants in FY25 were supported by a $468.8 thousand distribution from the land of enchantment legacy fund and $382.6 thousand from the equity fund.

Budget: $3,061.6 **FTE:** 4

	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Number of new outdoor recreation jobs created by the Outdoor Recreation Division*	411	667	NA	1,123	G
Number of outdoor recreation conservation projects funded or led by Outdoor Recreation Division*	44	104	NA	79	G
Number of youth to benefit from outdoor education programs*	12,221	36,269	NA	10,987	G
Program Rating	G	G			G

*Measure is classified as explanatory and does not have a target.

Film Tax Credits and GRT Paid by Film Industry
(in millions)



Source: EDD, LFC

Film

Film production in New Mexico reflected ongoing contraction in the national film industry driven by declining production volumes. The Film Division estimated 211.6 thousand film and media worker days, 60.3 percent and 36.4 percent lower than FY23 and FY24, respectively. The division estimates the film industry spent $57.7 million on wages, with a median wage of $70,822 in FY25. The division also estimates a total of $323.2 million in direct spending by film industry productions, 56 percent lower than direct spending from FY24, and resulting in $18.4 million in gross receipts tax in FY24. Film tax credits are estimated to be $33.9 million in FY25, down 78 percent from FY24, and are expected to increase to $101 million in FY26.

Budget: $1,840.3 **FTE:** 10

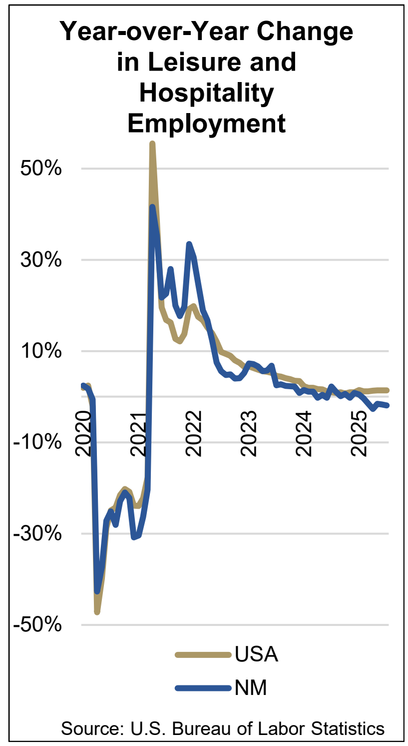
	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Number of film and media worker days	533,630	339,266	500,000	211,640	R
Estimated direct spending by film industry productions, in millions	$794.11	$740.42	$700	$323.2	R
Total wages paid by film industry productions to New Mexico residents, in millions	$152.26	$98.74	$130	$57.7	R
Total gross receipts taxes paid by film industry productions, in millions	$43.41	$37.25	$35	$18.5	R
Program Rating	G	G			R

The Tourism Department (NMTD) met or exceeded all performance targets for FY25 except for year-over-year change in leisure and hospitality employment. In FY25, the department awarded $3.9 million through its three main grant programs to support beautification and litter reduction efforts, infrastructure projects, and growth and promotion of tourism events. NMTD also awarded $3.8 million to 48 entities through the cooperative program to support marketing and advertising initiatives and approved 488 products for the New Mexico True Certified program.

ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

Marketing and Promotion

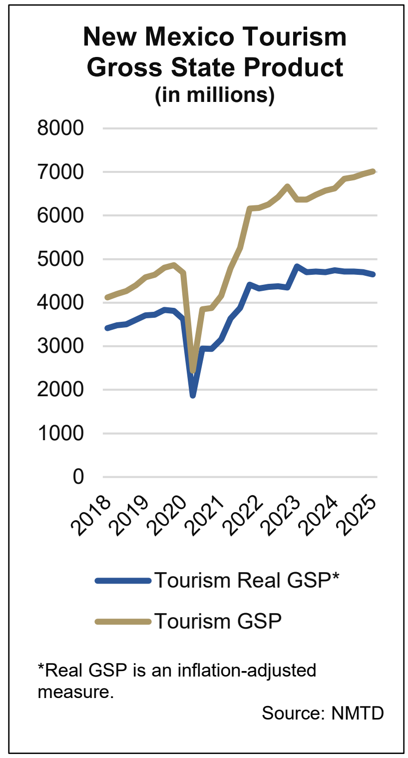
Employment in Leisure and Hospitality. Employment in New Mexico's leisure and hospitality sectors remained stagnant in FY25 compared to FY24. During the same period, employment in leisure and hospitality increased by 1.1 percent in the United States. The slower growth in these sectors could reflect lower visitation and hotel occupancy levels in the country due to economic uncertainty and less international travel. Leisure and hospitality employment represents 10.9 percent of the state's total employment.



Advertising. NMTD promotes the state as a premier tourist destination through in-state and national advertising. During the 2024 legislative session, the agency was appropriated $34.3 million for marketing and advertising. The agency targets potential travelers in California, Texas, Colorado, and Arizona.

The agency manages the Cooperative Marketing and Advertising program, which provides up to a 2-to-1 dollar match for local entities. In FY25, the agency awarded $3.8 million to 48 entities, slightly higher than the $3.4 million awarded to 46 entities in FY24. Due to the available match, the total advertising investment, including grant recipients' obligations, is approximately $5.7 million.

Earned Media. The agency generated $46.1 million in advertising value equivalence in FY25, 95 percent higher than FY24's equivalence of $23.6 million. In FY25, NMTD secured 147 media placements in leisure travel media outlets, with more than half highlighting locations outside Albuquerque, Santa Fe, and Taos, and 24 appearing in international outlets.



Budget: $21,870.3 **FTE:** 14	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Year-over-year change in New Mexico leisure and hospitality employment	4.6%	2.8%	3%	-1.7%	R
Amount of earned media value generated in millions	$16.4	$23.6	$5	$5.5	G
Open email rate of NM True eNewsletters	27%	28%	18%	29%	G
Program Rating	G	G			G

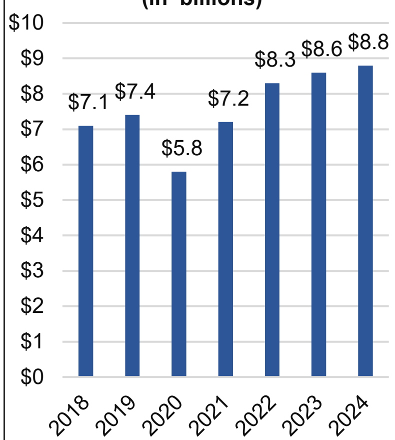
Tourism Development

Grants. The agency announced its awards for FY25 for its three main programs—Clean and Beautiful, Destination Forward, and Tourism Event Growth and Sustainability programs—at the beginning of the fiscal year.

Visitor Volume and Spending in New Mexico

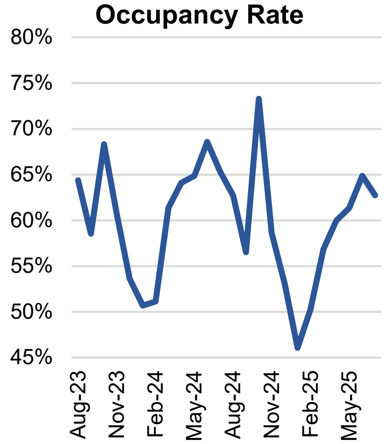
In 2024, 42.6 million visitors traveled to New Mexico, an increase of 1.8 percent over 2023. A majority of the visitors were from the United States, with a small portion traveling from abroad. More than half (59 percent) of the visitors spend just the day in New Mexico. Visitor spending increased by 2.7 percent in 2024, totaling $8.8 billion. The largest portion (32 percent) of visitor spending is for lodging, followed by food and beverage (24 percent), and retail spending (16 percent). NMTD contracts with Tourism Economics every year to produce this report.

Total Visitor Spending in New Mexico (in billions)



Source: NMTD

New Mexico Lodging Performance: Occupancy Rate



Source: NMTD

For the Clean and Beautiful program, NMTD awarded $1 million to 67 participants, surpassing the 59 awardees in FY24. Awards ranged from $1,000 for Española to $60 thousand for Albuquerque. Notably, 77 percent of grant funding was awarded to rural communities. For Destination forward, the agency awarded $2.4 million to 12 tourism-related infrastructure projects, an increase compared to the $1.9 million awarded to 10 projects in FY24. Finally, for the Tourism Event Growth and Sustainability program (TEGS), NMTD awarded $533.2 thousand to 38 events in FY25. TEGS provides technical assistance, marketing, and sponsorship to qualified tourism events within New Mexico. All three programs increased the number of grantees and funding in FY25 compared to FY24.

New Mexico True Certified. NMTD also administers the New Mexico True Certified program, which allows local products to leverage the agency's New Mexico True brand for further amplification of products and marketing. In FY25, the agency certified 488 products around the state, a slight increase from the 475 products in FY24. Aside from certifying products, businesses also benefit from the New Mexico True certified holiday gift guide, in-state advertising that promote local shopping, and an interactive map on NMTD's website that allows users to learn about New Mexico True certified partners.

Budget: $1,1516 **FTE:** 18	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Number of meetings or events conducted with Native American tribes and pueblos	50	72	75	112	G
Number of participants in New Mexico True certified program	433	475	410	488	G
Program Rating	G	G			G

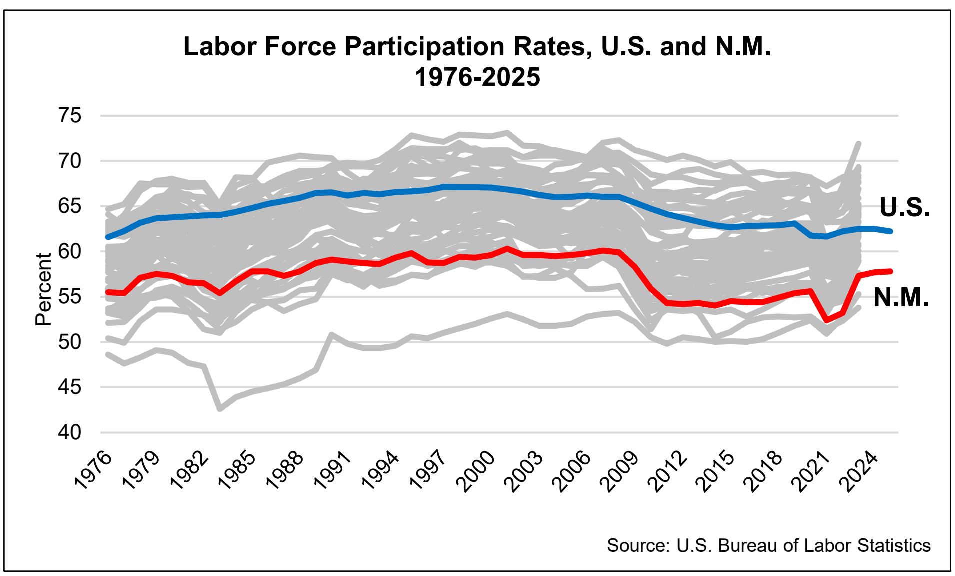
New Mexico Magazine

New Mexico Magazine, the longest tenured state publication in the country, generated $476 thousand of revenue in FY25—approximately $119 thousand per issue and exceeding the FY25 target. The magazine has a paid circulation of roughly 40 thousand, of which 60 percent reside outside the state, and engages with 238 thousand users on social media. During the fourth quarter, NMTD began to publicize the upcoming centennial anniversary of Route 66 to increase visitation and promote local businesses. Other highlights from FY25 include the 2026 travel adventure guide, a feature on local heroes, and a profile on eight women making an impact in New Mexico.

Budget: $3,041.3 **FTE:** 10	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Advertising revenue per issue, in thousands	$146	$79	$85	$119	G
Program Rating	G	G			G

Since early 2022, New Mexico's unemployment rates have largely returned to prepandemic levels. However, the share of the state's working age population participating in the labor force remains persistently low, and LFC reports have consistently noted low labor force participation constrains economic development and expansion. Following increases in unemployment through FY24, the state's unemployment rate increased to 4.2 percent by July 2025 but remains on par with national unemployment rates and lower than rates in several other states in the region. Nonetheless, the state's labor force participation rate (LFPR), although improved from the pandemic low and consistently over 57 percent since 2023, remains below the national average. The state would need an estimated 40 thousand additional individuals between the ages of 20 and 54 working or looking for work to meet the national average.

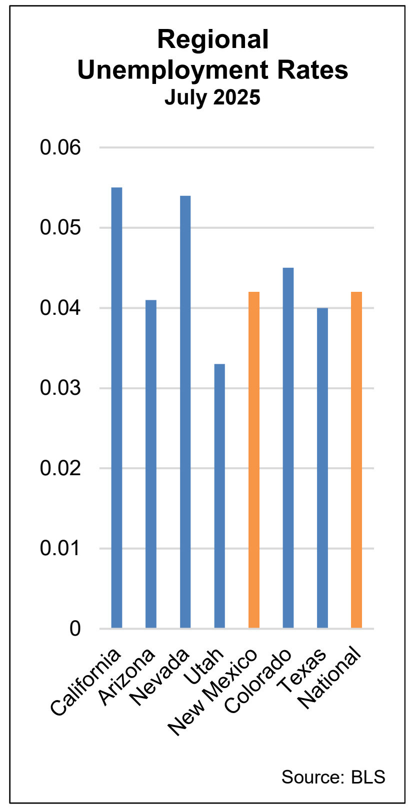
Strategies to address both unemployment and labor force participation include programs to engage those who are not participating in the labor force and training and support unemployed workers to find employment. In recent years, WSD's strategy has focused on moving upstream to prevent young adults from ever becoming disengaged or unemployed, though the long-term results of this strategy are not yet known. The department has used special appropriations to place career counselors in 15 high schools across the state, for pre-apprenticeship programs, and for the Be Pro Be Proud initiative, which aims to engage youth and young adults in the trades through a truck with trade industry simulators. In FY25, the Legislature provided $600 thousand to WSD to pilot and evaluate pre-apprenticeship programs.



Employment Services

The department's Employment Services Program plays a key role in addressing low LFPR and developing a plan to bring more working-age adults into the labor force. The program oversees the state's network of America's Job Center New Mexico offices (formerly Workforce Connections Centers) and operates several programs related to the federal Workforce Innovation and Opportunity

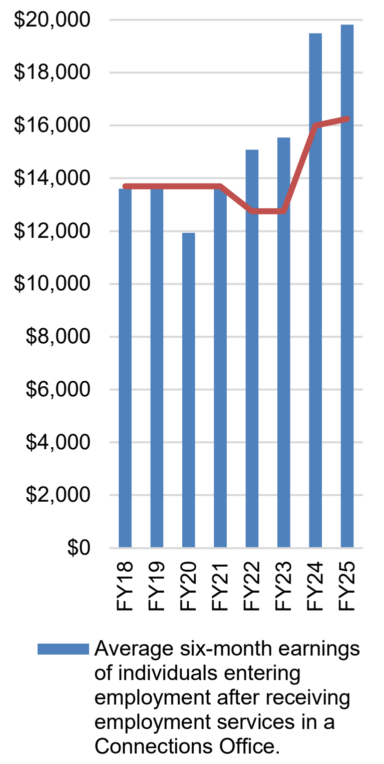
ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	No



Act (WIOA). An April 2024 LFC evaluation concluded WSD's job assistance offices are underutilized and have limited impact on employment outcomes. Although a greater number of individuals received employment services from the department's centers in FY25, performance remained below performance targets. In the digital era, WSD will likely need to find ways to reach people who are not coming into its physical offices to increase the state's labor force participation and reduce unemployment.

In FY25, WSD again increased the number of participants in registered apprenticeship programs, well exceeding the agency's target. The department reports an increased demand for new apprentices, a pathway to increasing workforce participation in the trades, in building and construction programs. Six-month earnings among people who receive employment services also increased to a new high of $19,812 in FY25, an increase of over $300 relative to FY24 and over $3,000 greater than the performance target.

Six-Month Earnings After Receiving Employment Services



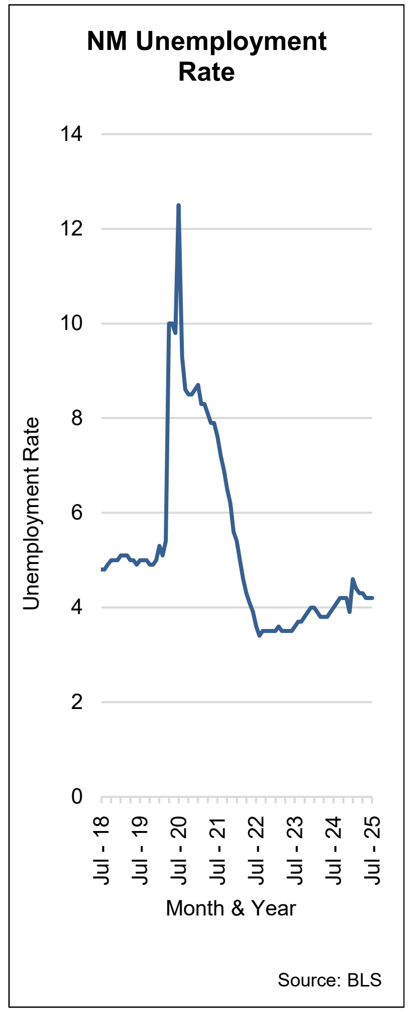
Source: WSD

Budget: $35,569.3 **FTE:** 368	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Adults					
Average six-month earnings of individuals entering employment after receiving employment services in a Connections Office	$15,547	$19,493	$16,250	$19,812	G
Total number of individuals receiving employment services in a Connections Office	50,041	67,545	87,500	83,756	Y
Total number of individuals accessing the agency's online Job Seeker portal	63,024	83,123	118,000	91,997	Y
Percent of unemployed individuals employed after receiving employment services in a Connections Office	61%	65%	60%	68%	G
Percent of unemployed individuals who have received employment services in a Connections Office, retaining employment after six months	63%	63%	65%	65%	G
Average change in six-month earnings of working individuals after receiving employment services in a Connections Office	$4,616	$2,217	$3,000	$2,016	R
Percent of audited apprenticeship programs deemed compliant	66%	44%	75%	No audits done	R
Number of apprentices registered and in training	2,273	2,565	2,150	2,645	G
Veterans					
Average six-month earnings of unemployed veterans entering employment after receiving veterans' services in a Connections Office	$19,323	$21,386	$18,500	$20,275	G
Percent of recently separated veterans entering employment	51%	55%	55%	57%	G
Percent of unemployed disabled veterans entering employment after receiving workforce development services in a Connections Office	50%	53%	55%	56%	G
Percent of recently separated veterans retaining employment after six months	51%	51%	55%	52%	Y
Program Rating	Y	Y			Y

*Measure is classified as explanatory and does not have a target.

Unemployment Insurance

New Mexico's unemployment rate remains below prepandemic levels but continued to increase slightly during FY25, rising to 4.2 percent in July 2025. According to WSD, a total of 41 thousand New Mexicans were unemployed in July 2025. Despite a higher rate of unemployment in July 2025 compared to July 2024, the number of initial unemployment insurance claim applications received by WSD decreased roughly 10 percent in July 2025 relative to July 2024. The department reports falling short of the FY25 target for several unemployment insurance claims determination metrics and attributes performance to cleaning up backlogged claims and decreased staffing. The department recently hired additional claims adjudicators and anticipates improvement on these measures.



Budget: $14,116.8 **FTE:** 164	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	36%	34%	80%	55%	R
Percent of all first payments made within 14 days after the waiting we0ek	61%	65%	87%	69%	R
Percent accuracy rate of claimant separation determinations	51%	40%	75%	80%	G
Average wait time to speak to a customer service agent in the Unemployment Insurance Operation Center to file a new unemployment insurance claim, in minutes	16:31	13:55	13:30	15:21	R
Average waiting time to speak to a customer service agent in the Unemployment Insurance Operation Center to file a weekly certification, in minutes	14:54	14:54	13:00	15:26	R
Program Rating	Y	R			R

*Measure is classified as explanatory and does not have a target.

Labor Relations

In 2021, the Legislature passed the Healthy Workplaces Act, requiring employers to provide sick leave, and WSD is required to investigate complaints related to the act, which has significantly increased investigations. In November 2023, the Labor Relations Division received an adverse ruling in the case of Olivas v. Nair in the 1st Judicial District, which ruled the Labor Relations Division must issue wage and hour determinations in 90 percent of decisions within 120 days of receipt. To meet the conditions of the ruling, the Legislature appropriated $1.8 million to WSD to hire additional staff in FY25. Despite funding, the Wage and Hour Bureau only issued a determination in 3 percent wage claims within 270 days. The department explained that a court-ordered "first in, first out" case handling policy required the bureau to prioritize old cases and that the bureau faced staff turnover that interfered with performance in FY25. To improve performance, the Wage and Hour Bureau has been restructured with three additional supervisors, an intake team that reviews cases eligible for early decisions, and an inflow team focused on ensuring new cases do not exceed the 270-day threshold.

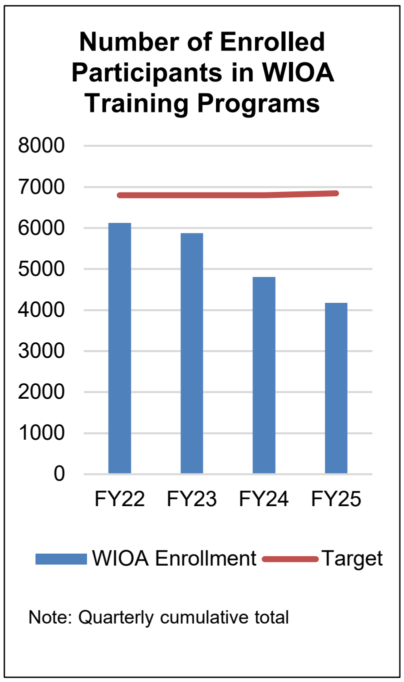
Budget: $6,343.2 **FTE:** 63.5	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Average number of days for the human rights bureau to investigate a claim and issue a determination	187	202	240	232	G

Budget: $6,343.2	FTE: 63.5	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Percent of discrimination claims investigated and issued a determination by the human rights bureau within one year		N/A	100%	75%	100%	G
Percent of total public works projects inspected and public works payroll audited within one year		N/A	105%	75%	99%	G
Percent of non-settled wage claims investigated and issued a determination by the wage and hour bureau within two hundred seventy days		N/A	25%	90%	3%	R
	Program Rating	G	Y			Y

*Measure is classified as explanatory and does not have a target.

Program Support and Workforce Investment

WSD implements programs through the local workforce development boards related to the federal Workforce Innovation and Opportunity Act (WIOA). The federal program aims to assist job seekers in accessing employment, education, training, and support services to succeed in the labor market and to help employers meet their workforce needs. WIOA funds four core workforce development programs for at-risk adults, youth, dislocated workers, and basic career services.



Although performance within the programs exceeds a number of the targets, participation in WIOA training programs has declined in the last several years. Further, previous LFC analysis of program performance compared to other state WIOA programs in the dislocated worker, youth, and basic career services programs has generally ranked in the lowest fifth percentile over the last five years. In FY25, only 4,175 individuals participated in WIOA training programs, the fewest in recent years and a decrease of 629 participants, or 13 percent, from FY24. Within the youth population, in FY25, youth employment in the state decreased 10 percentage points, fewer youth participated in WIOA programs, and fewer youth remained in education, training, or employment in the second quarter after exit from the program compared to the prior fiscal year. The department attributes the decrease to a decline in WSD employment assistance office traffic and the availability of scholarships and other subsidized funding opportunities for education. WSD should focus on ways to proactively engage individuals, adult and youth, who are unlikely to otherwise seek out employment services and are more likely to be, or become, disengaged from the labor market.

Budget: $45,694.3	FTE: 113	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Youth Unemployment						
Percent of youth who are employed in the state		63%	72%	71%	62%	R
Number of enrolled youth participants in Title I WIOA training programs		4,337	13,323	1,450	1,509	G
WIOA Programs						
Percentage of participants who are in unsubsidized employment during the second quarter after exit from a WIOA program		76%	79%	77%	79%	G
Median earnings of participants who are in unsubsidized employment during the second quarter after exit from a WIOA program		$8,701	$9,421	$8,650	$9,826	G

Budget: $45,694.3 **FTE:** 113	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Percentage of participants who are in unsubsidized employment during the fourth quarter after exit from a WIOA program	76%	77%	78%	78%	G
Percentage of Title I youth program participants who are in education or training activities, or in unsubsidized employment, during the second quarter after exit from a WIOA program	63%	72%	70%	65%	Y
Percentage of Title I youth program participants who are in education and training activities, or in unsubsidized employment, during the fourth quarter after exit from a WIOA program	67%	68%	70%	68%	Y
Percentage of participants enrolled in an education or training program (excluding those in on-the-job training and customized training) who attain a recognized postsecondary credential or a secondary school diploma, or its recognized equivalent, during participation in or within one year after exit from a WIOA program	69%	70%	70%	65%	Y
Number of adult and dislocated workers receiving supplemental services of WIOA as administered and directed by the local area workforce board	3,423	2,802	2,863	2,378	Y
Number of enrolled participants in Title I WIOA training programs	5,872	4,804	6,850	4,175	R
Reemployment Programs					
Percent of Reemployment Services and Eligibility Assessment program participants exhausting unemployment insurance benefits	41%	46%	47%	48%	Y
Percent of Reemployment Services and Eligibility Assessment program participants reemployed	49%	56%	55%	56%	G
Program Rating		Y			Y

*Measure is classified as explanatory and does not have a target.

Health Care Authority

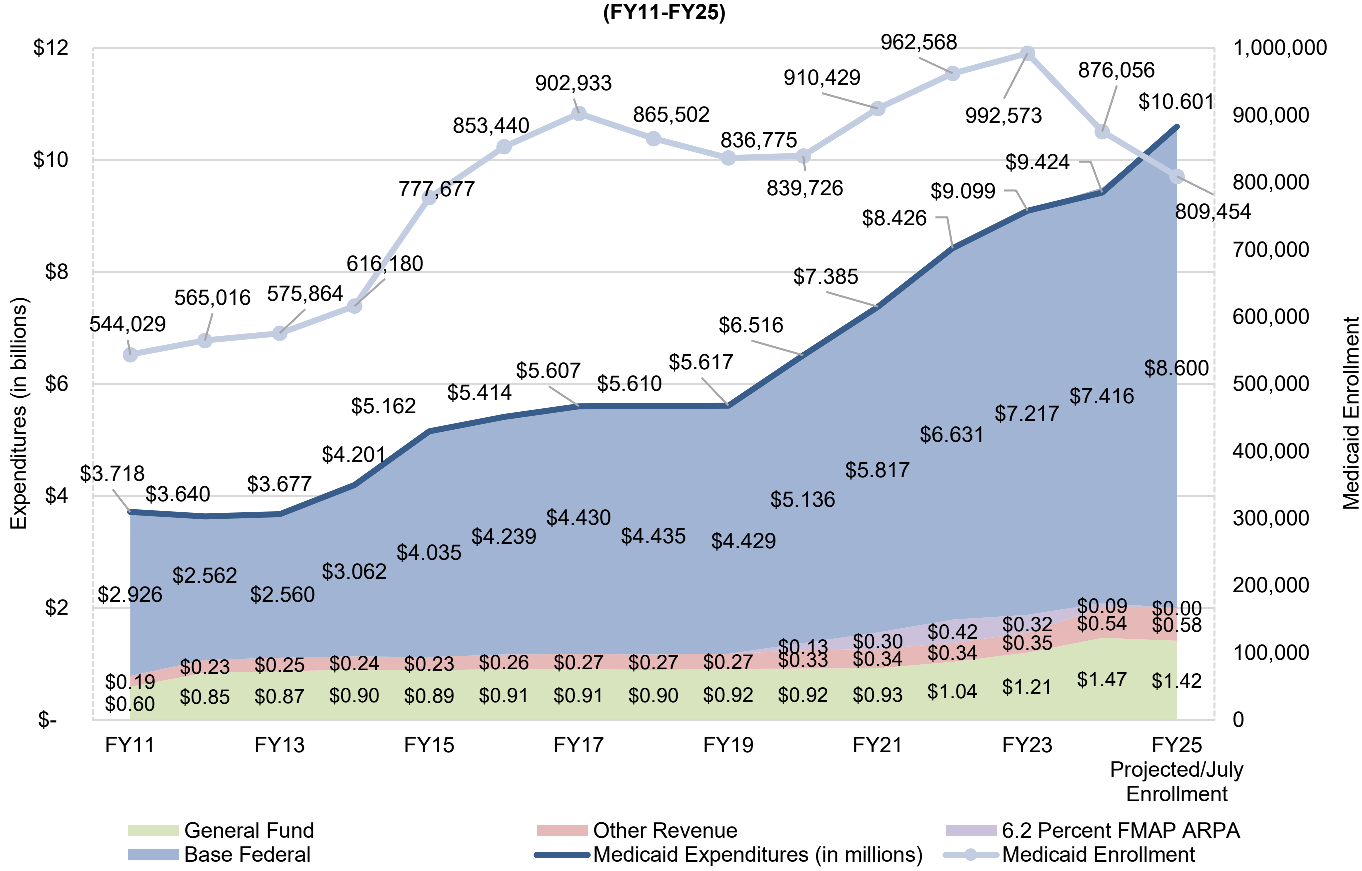
ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

The Legislature has invested significantly in Medicaid over the last decade, including hundreds of millions in the past five years for provider rate adjustments, with the most significant increases scheduled for FY25. That amount includes more than $89.5 million for behavioral health rate increases. With 38 percent of the state's population enrolled in the Health Care Authority's (HCA) Medicaid Program, ensuring rate adjustments reach the intended providers and improves access is a major lever for the state to improve health outcomes overall. Given the investment, performance is marginally improving, and the state should maintain expectations of more improvement over the next two years.

With these investments, the Legislature is expecting to see improvements in access to care through the expansion of managed care organization (MCO) networks, more well-care visits, and improved provider recruitment and retention.

Projecting Future Needs. The Health Care Authority's enrollment dashboard indicates 822,542 individuals were enrolled in Medicaid in April 2025, 75 thousand fewer individuals than the department's September 2024 projection. The FY25 budget was largely based on a higher January 2024 estimate of 938.2 thousand enrollees. In the future, to ensure funds are allocated appropriately, HCA will need to work with LFC to develop greater consensus on its enrollment projections.

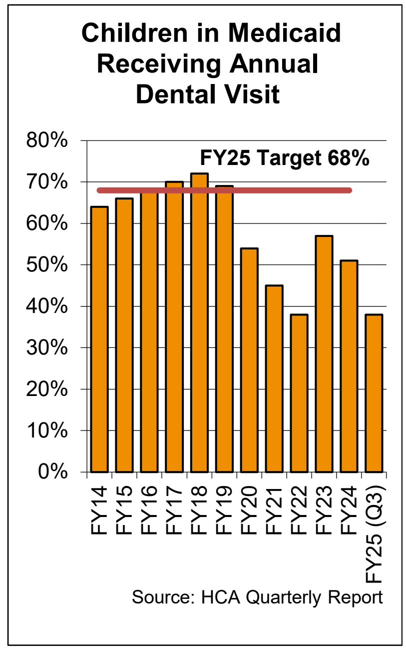
Total Medicaid Enrollment and Expenditures
(FY11-FY25)



Source: HCA January 2025 Projection

Medical Assistance

The state's Medicaid program continued to improve some of its performance in the first quarter, including infant well-child visits. For well-child visits, each MCO discussed a strategy to improve these measures, such as social media campaigns, text messages encouraging parents to schedule the visits, and meeting with providers on a regular basis. The measure is cumulative, and the department should meet the target by the end of the year given the current trend. In previous quarters, HCA directed MCOs to incentivize providers to offer after-hour and weekend appointments for child wellness visits, including immunizations. However, the count of well-care visits for children ages 3 to 21 was well below trend, and the authority received a red rating for this measure, despite minor improvements over FY24.



Budget: $8,885,408.9 **FTE:** 222.5	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Infants in Medicaid managed care who had six or more well-child visits with a primary care physician during their first 15 months* †	63%	66%	N/A	64%	G
Children and adolescents ages 3 to 21 enrolled in Medicaid managed care who had one or more well-care visits during the measurement yea†	44%	45%	60%	48%	R
Percent of members under 21 years of age who received a comprehensive or periodic oral evaluation with a dental provider†	57%	51%	68%	53%	R
Hospital readmissions for children ages 2 to 17 within 30 days of discharge	7%	8%	<5%	7%	R
Hospital readmissions for adults 18 and over within 30 days of discharge†	9%	9%	<8%	9%	Y
Emergency department use categorized as nonemergent care	57%	57%	50%	57%	R
Newborns with Medicaid whose mothers received a prenatal care visit in the first trimester or within 42 days of enrollment in the managed care organization†	80%	78%	80%	77%	Y
Medicaid managed care members ages 18 through 75 with diabetes, types 1 and 2, whose HbA1c was >9 percent during the measurement year†^	52%	52%	65%	44%	G
Program Rating	R	Y			R

*Measure is classified as explanatory and does not have a target.
†Measure is from the national health effectiveness data and information set (HEDIS) and is reported on a calendar year, cumulatively, and two quarters behind the state fiscal year. FY25 actual is reporting 2024's final data
^A lower rate indicates positive improvement.

Income Support

The Income Support Division (ISD) fell short of all but two performance targets. However, performance is trending in the right direction. Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) caseloads continue to be a drag on the authority's performance, even though the caseloads are nearing prepandemic levels. The federal government requires enrolling 95 percent of expedited cases within seven days. For the third quarter, ISD enrolled 97 percent of expedited SNAP cases within seven days, an improvement from 84 percent in the prior year. ISD hired contract staff to work on Medicaid recertifications and applications to allow ISD staff to work on SNAP applications and recertifications to improve expedited timeliness. Using this method, ISD is slated to increase the overall timeliness in SNAP. However, improvement is still needed for TANF performance measures.

Importantly, SNAP currently has a 14 percent error rate—meaning the authority is either under- or over-paying receipients. In the federal reconciliation act, if the authority maintains its 14 percent error rate, the state will be responsible for paying an additional $155 million for SNAP, due to new guidelines, but this could be delayed until FY29 or FY30.

Budget: $1,356,920.9 **FTE:** 1,060	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Regular Supplemental Nutrition Assistance Program cases meeting the federally required measure of timeliness of 30 days	38%	74%	98%	98%	G
Expedited Supplemental Nutrition Assistance Program cases meeting federally required measure of timeliness of seven days	64%	84%	98%	97%	G
Temporary Assistance for Needy Families recipients ineligible for cash assistance due to work-related income	7%	1%	37%	8%	R
Two-parent recipients of Temporary Assistance for Needy Families meeting federally required work requirements	12%	12%	60%	25%	R
All families receiving Temporary Assistance for Needy Families meeting federally required work requirements	10%	7%	45%	13%	R
Program Rating	R	R			Y

*Measure is classified as explanatory and does not have a target.

Child Support Services

The Child Support Services Division (CSSD) is modernizing the program to set accurate child support obligations based on the noncustodial parent's ability to pay, alongside increasing consistent and on-time payments to families, moving nonpaying cases to paying status, improving child support collections, and incorporating technological advances that support good customer service and cost-effective management practices. CSSD expected performance to improve with these efforts, and the program nearly met the target for child support owed that is collected and the percentage of cases with support orders.

Budget: $42,953.9 **FTE:** 340	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Noncustodial parents paying support per total cases with support orders*	51%	51%		52%	G
Total child support enforcement collections, in millions	$121	$119	$120	$119	Y
Child support owed that is collected	58%	59%	65%	60%	R
Cases with support orders	84%	83%	85%	83%	Y
Total dollars collected per dollars expended	$2.46	$2.18	$3.00	$2.18	R
Average child support collected per child*	$124.5	$129		$137	G
Program Rating	R	Y			G

*Measure is classified as explanatory and does not have a target.

Developmental Disabilities Support Division

This is the first year the division reported on the authority's performance report since it moved from the Department of Health in July 2024. The division did not meet the target for the number of individuals receiving employment services nor did it reach the target for the number of individuals who have a service plan and budget in place. However, the authority did improve significantly from FY24 for the percent of applicants who have a service plan and budget in place.

Budget: $271,411.3 **FTE:** 195	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Number of home visits	6,881	11,461		15,330	G
Number of individuals on the home and community-based waiver waiting list*	1,909	111		194	G
Number of individuals receiving home and community-based waiver services*	6,766	7,522		8,395	G
Percent of adults between ages twenty-two and sixty-two served on a developmental disabilities waiver (traditional or mi via) who receive employment supports	10%	9%	20%	8%	R
Percent of home and community-based waiver applicants who have a service plan and budget in place within ninety days of income and clinical eligibility determination	88%	76%	95%	90%	Y
Percent of general event reports in compliance with general events timely reporting requirements (two-day rule)	90%	92%	90%	91%	G
Program Rating	R	Y			Y

*Measure is classified as explanatory and does not have a target.

State Health Benefits

According to HCA, the 20 percent across-the-board increase in premiums for state health benefits is actuarially sound and will not require a supplemental appropriation for FY26 to ensure solvency within the state health benefits fund. In FY27, the state will have to determine whether to continue using the health care affordability fund revenues to cover the new provisions or include the increased costs to agencies within their base budgets. The authority is working toward implementing reference-based pricing, switching pharmacy benefits managers, and working to collect the local public body share of the shortfall to reduce the costs to the state.

Budget: $479,368 **FTE:** 9	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Number of state health plan members who designate the stay well health center as their primary care provider*		2,162		2,578	G
Number of visits to the stay well health center*		7,815		7,385	G
Percent change in the average per-member per-month/total healthcare cost†		TBD	4%	17%/ 8%	R
Percent of available appointments filled at the stay well health center*		74%		91%	G
Percent of state health plan members with diabetes receiving at least one hemoglobin A1C test in the last 12 months†		49%	86%	62%/ 46%	R

Budget: $479,368	**FTE:** 9	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Percent of state group prescriptions filled with generic drugs within 3 percent of public-entity-peer rate as reported by pharmacy benefits manager			56%	83%	84%	G
	Program Rating		R			G

*Measure is classified as explanatory and does not have a target.
†Measure reported as Blue Cross Blue Shield/Presbyterian Health Services

Division of Health Improvement

This is the first year the Division of Health Improvement (DHI) is reported on the authority's performance report since it moved from the Department of Health in July 2024. During FY25, HCA met all performance targets under DHI, having significantly improved on the percent of facility deficiencies distributed within 10 days of survey exit.

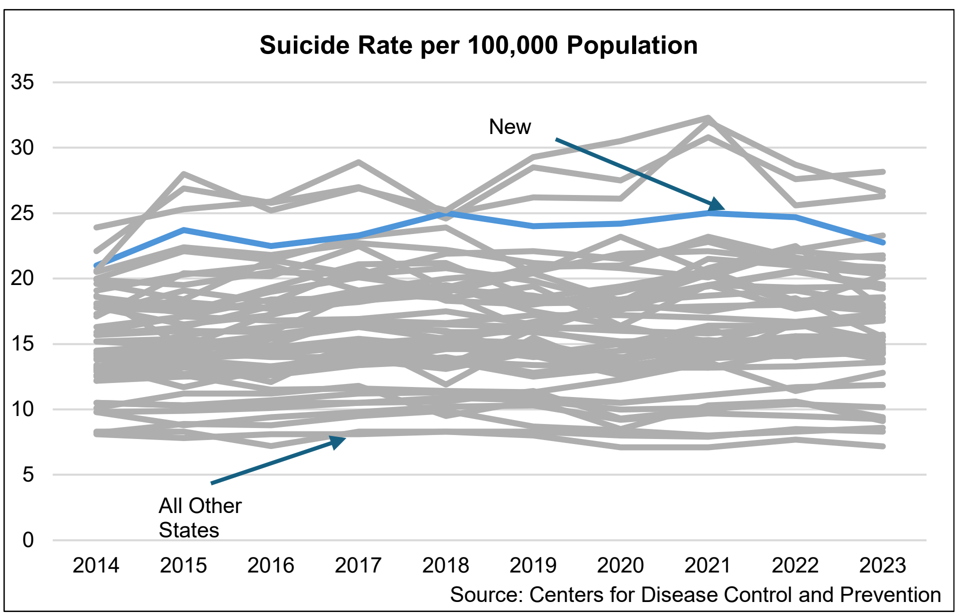
Budget: $22,093	**FTE:** 197	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Percent of nursing home survey citation(s) resulting in a potential sanction by CMS that was upheld when reviewed by CMS		97%	96%	>90%	100%	G
Percent of acute and continuing care facility survey statement of deficiencies distributed to the facility within ten days of survey exit				>85%	52%	R
Percent of abuse, neglect, and exploitation investigations completed according to established timelines		95%	80%	>95%	97%	G
Abuse rate for developmental disabilities waiver and mi via waiver clients*†		5.8%	7.3%		0.06%	G
	Program Rating					G

*Measure is classified as explanatory and does not have a target.
†Measure also includes Supports Waiver and Medically Fragile waiver programs.

The September *2025 LFC Medicaid Accountability Report* found that outcomes remain the same or have worsened since the last *Medicaid Accountability Report*, despite the large influx of both state and general funds appropriated to Medicaid. Around $90 million in rate increases were approved in the last three years. LFC staff completed analysis of the 20 most used behavioral health codes by Medicaid patients in the state and compared New Mexico's rates to Medicare's rates, as well as to Medicaid rates in Arizona, Colorado, Oklahoma, and Utah. Except for three cases, New Mexico consistently had higher rates than any of the other states—sometimes by significant margins. For example, New Mexico reimburses for outpatient family psychotherapy at 50 percent higher than Medicare and up to 363 percent higher than the rates in neighboring states.

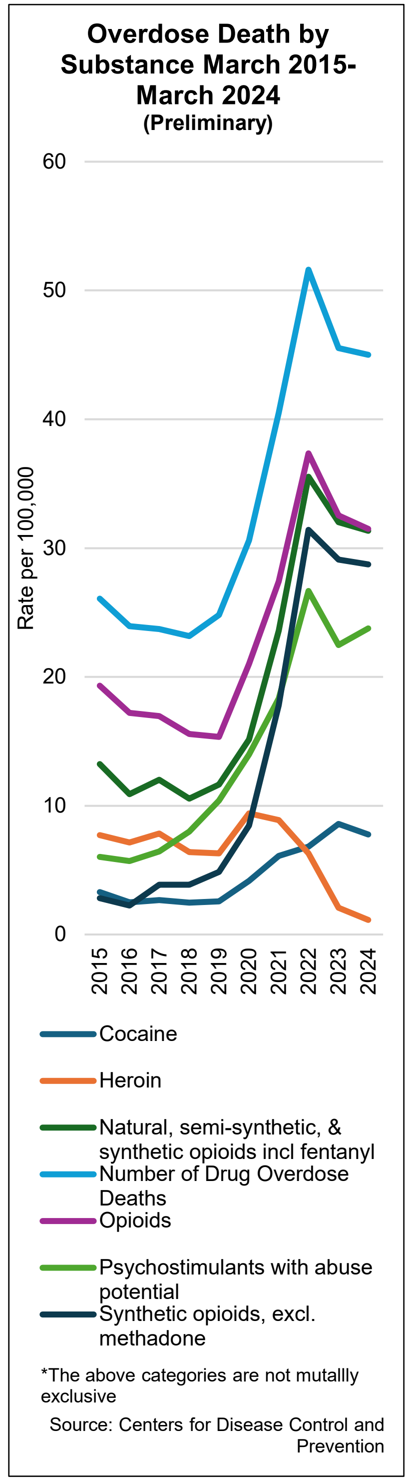
The Legislature in 2025 eliminated the Behavioral Health Collaborative and replaced it with a new Behavioral Health Executive Committee charged with approving new behavioral health regions, reviewing and approving regional plans, establishing funding strategies and structures based on regional plans, monitoring and tracking deliverables and expenditures, and establishing management strategies led by a project manager at the Health Care Authority (HCA). The law also requires the Administrative Office of the Courts to complete sequential intercept mapping, to improve regional understanding of needs and gaps at the nexus of behavioral health and crime. LFC—in coordination with HCA—developed an initial set of evaluation guidelines for behavioral health services for adoption and implementation of regional plans. The General Appropriation Act of 2025 includes significant amounts to carry out the provisions of the law—with over $565 million appropriated for behavioral health in nonrecurring funding.

Additionally, agencies serving behavioral health needs are budgeted to spend $1.1 billion in FY25, with $987 million of that in the Health Care Authority. These agencies received about $407 million in nonrecurring funding from the 2023 through 2025 sessions. Despite the investments, trends in most substance-related deaths or suicides remain high.

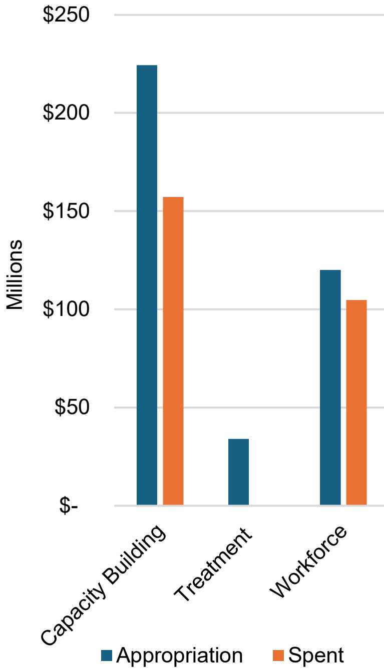


ACTION PLAN

Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

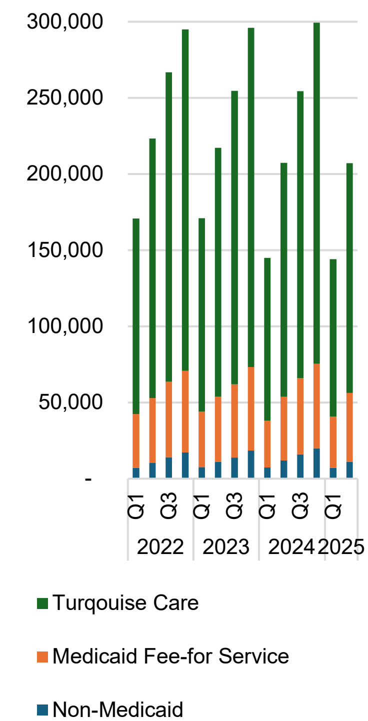


Behavioral Health Nonrecurring Appropriations
FY21-FY25



Source: SHARE and LFC Files

Individuals Served in State-Funded Substance Abuse or Mental Health Programs



Source: HCA

Existing Problem

Drug overdose deaths decreased in the state from an all-time high of 1,040 in 2021 to 800 in 2024—potentially due in part to the state expanding the use of overdose drug availability. In 2023, according to Kaiser Family Foundation data, about 36 percent of adults in New Mexico reported anxiety or a depressive disorder. Concurrently, as of 2023, New Mexico had the fifth highest suicide rate in the nation, a rate of 22.8 per 100 thousand people. Kaiser also reported 31 percent of New Mexicans with anxiety or a depressive disorder in 2022 had an unmet need for counseling or therapy, while the federal government reported the percentage of New Mexicans with their need for mental health professionals met was 18.2 percent compared with the 28 percent nationally.

Behavioral Health System

In 2024, HCA reported New Mexico had 6,672 prescribing and 4,722 nonprescribing Medicaid behavioral health providers—down from 7,754 and 5,149, respectively—which HCA asserts is due to the end of the public health emergency. The total number of behavioral health encounters increased from about 2.5 million in 2020 to slightly over 3.3 million encounters in 2024. Approximately 75 percent of all people served were Medicaid managed care members, 19 percent were Medicaid fee-for-service members, and 6 percent were non-Medicaid beneficiaries. The top behavioral health provider types was psychiatrists and other physicians; nurse/certified nurse practitioners (CNPs), which includes psychiatric certified CNPs; federally qualified health centers; licensed clinical social workers; and licensed professional clinical counselors.

For FY25 the percentage of Medicaid inpatient psychiatric hospitalization stays receiving a follow-up with community-based services at seven days fell significantly compared to the previous year and was below the target of 51 percent. The division reports community follow-up with the adult population is a larger challenge than with the youth population.

Budget: $938,947 **FTE: 5**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Adult Medicaid members diagnosed with major depression who received continuous treatment with an antidepressant medication	43%	45%	42%	47%	G
Medicaid members discharged from inpatient psychiatric hospitalization stays of four or more days who receive follow-up community-based services at seven days	35%	42%	51%	34%	R
Persons served through telehealth in urban, rural, and frontier counties for behavioral health	48,718	73,054	35,062	73,823	G
Readmissions to same level of care or higher for children or youth discharged from residential treatment centers and inpatient care	10%	11.9%	5%	6%	Y
Individuals served annually in substance use or mental health programs administered by the Behavioral Health Collaborative and Medicaid	217,126	207,259	210,000	207,020	Y
Emergency department visits for Medicaid members ages 13 and older with a principal diagnosis of alcohol or drug dependence who receive follow-up visit within 30 days	34%	32%	54%	34%	R
Program Rating	R	Y			Y

*Measure is classified as explanatory and does not have a target.

The Department of Health (DOH) reported mixed performance across the agency for FY25 but overall maintains the same performance as prior years. DOH continues to focus on implementing interventions and community health initiatives aimed at improving public health infrastructure and access to care. The department's mission is to ensure health equity by working with agency partners to promote health and well-being and improve health outcomes for all people in New Mexico.

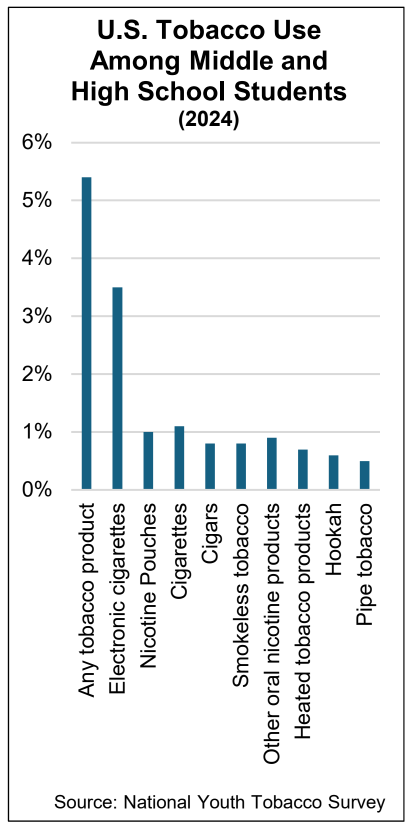
ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	No

Public Health

The Public Health Program continues reporting mixed results. While the department exceeded its target for the number of successful overdose reversals in the harm reduction program, the agency fell short on other measures. Preschoolers ages nineteen to thirty-five months as indicated as being fully immunized decreased by six percent from FY24. Performance at school-based health centers funded by DOH appeared below target; however, the data demonstrates a 66 percent increase in the number of patients and the number of visits, reflecting how the measure was recalculated compared to prior fiscal years. Despite this change in how data is collected, this measure is rated red because the FY25 data cannot be directly compared to previous fiscal years. The program reports the same performance for smoking cessation services as last fiscal year. Research consistently shows that comprehensive tobacco cessation programs can significantly reduce smoking rates and lead to better long-term health. Addressing these gaps is a priority.

According to the CDC, tobacco product use remains the leading cause of preventable disease and death in the United States. In 2022, 49.2 million (19.8 percent)—or nearly 1 in 5—U.S. adults reported current tobacco product use.

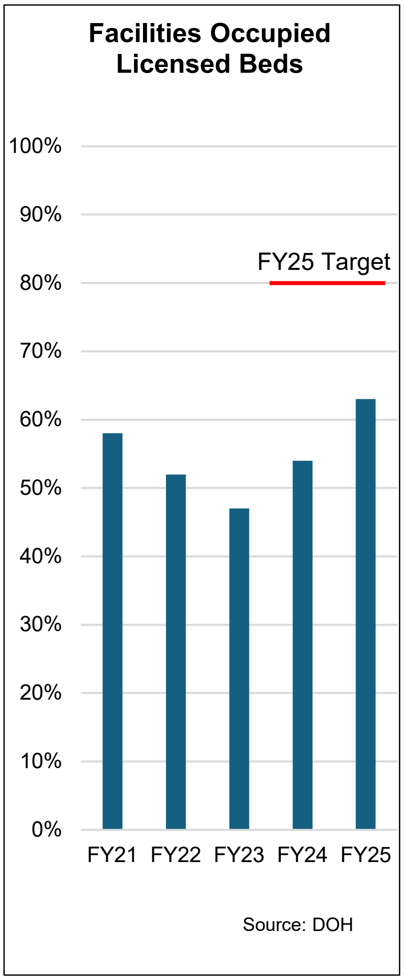
Budget: $262,490.2 **FTE:** 818.5	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Percent of school-based health centers funded by the department of health that demonstrate improvement in their primary care or behavioral healthcare focus area	96%	96%	96%	66%	R
Percent of New Mexico adult cigarette smokers who access Department of Health cessation services	1.2%	0.9%	3.5%	0.9%	Y
Number of successful overdose reversals in the harm reduction program	3,025	3,153	3,200	5,447	G
Percent of preschoolers ages nineteen to thirty-five months indicated as being fully immunized	69%	72%	75%	67.2%	R
Percent of female New Mexico Department of Health's Public Health Office family planning clients, ages fifteen to nineteen, who were provided most- or moderately-effective contraceptives	88%	84%	88%	83.7%	Y
Program Rating	R	Y			Y



Epidemiology and Response

The Epidemiology and Response Program is falling short of the targets for most key performance measures, which focus on improving health status, reducing substance use deaths, and preventing suicide. New data from the department shows that in 2024, deaths by suicide in the state increased by nine percent, totaling 512 deaths. Of suicide deaths in the state last year, 60 percent, or 307 deaths, involved a firearm.

Budget: $57,934.2	**FTE: 360**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Number of people admitted to the emergency department of participating hospitals with a suicide diagnosis		NA	228	<300	232	G
Percent of death certificates completed by bureau of vital records and health statistics within ten days of death		NA	56%	60%	53%	R
Percent of hospitals with emergency department based self-harm secondary prevention programs		NA	2.7%	8%	2.7%	R
	Program Rating	R	R			R



Scientific Laboratory

The Scientific Laboratory Program provides a wide variety of laboratory services mandated in statute and essential for the successful mission of the programs it supports. The program did not meet the overall targeted performance for the percent of environmental samples for chemical contamination completed and reported to the submitting agency within sixty calendar days; however, recent hiring and training of new staff improved turnaround times toward the end of the fiscal year, resulting in a 62 percent improvement in the last quarter relative to the third quarter of FY25.

Budget: $18,418.9	**FTE: 139**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Percent of public health threat samples for communicable diseases and other threatening illnesses that are completed and reported to the submitting agency within published turnaround times		97%	97%	95%	96%	G
Percent of blood alcohol tests from driving-while-intoxicated cases completed and reported to law enforcement within thirty calendar days		99%	99%	90%	100%	G
Percent of environmental samples for chemical contamination are completed and reported to the submitting agency within sixty calendar days		97%	72%	90%	66%	R
	Program Rating	G	Y			Y

Facilities Management

The occupancy of licensed beds in facilities statewide remains below target levels; however, facility census has increased by approximately 11 percent from FY24, particularly in the state's long-term care facilities, with overall census continuing to increase. Lower than anticipated revenues combined with high personnel and contract costs continue to strain the program's finances. The program oversees six healthcare facilities and one community program, catering to individuals with complex medical conditions or behavioral health support needs.

Budget: $177,631.8	**FTE: 1,913.5**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Percent of medication-assisted treatment utilized in the management of alcohol-use disorders while at Turquoise Lodge Hospital		73%	100%	65%	100%	G

Budget: $177,631.8 **FTE: 1,913.5**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Percent of medical detox occupancy at Turquoise Lodge Hospital	76%	28%	80%	21.6%	R
Percent of medication-assisted treatment utilized in the management of opioid use disorders while at Turquoise Lodge Hospital	100%	100%	92%	100%	G
Percent of patients educated on medication-assisted treatment options while receiving medical detox services	83%	100%	100%	100%	G
Percent of patients eligible for naloxone kits who received the kits	52%	100%	95%	99.7%	G
Percent of licensed beds occupied	47%	55%	80%	60.9%	R
Percent of eligible third-party revenue collected at all agency facilities	89%	88%	94%	80.9%	R
Number of medication errors causing harm per one thousand patient days within identified categories	0	0	1	0	G
Program Rating	Y	Y			Y

Aging and Long-Term Services Department

ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	No

The Aging and Long-Term Services Department (ALTSD) reported similar performance during FY25 as the prior fiscal year, particularly in the Consumer and Elder Rights Program and Adult Protective Services Program. While the department had marked improved performance in the Aging Network Program during FY25 compared to FY24, the agency did not meet all intended performance targets for the program. The department's mission is to serve older adults and adults with disabilities so they can remain active, age with dignity, be protected from abuse, neglect, and exploitation, and have equal access to healthcare.

Consumer and Elder Rights

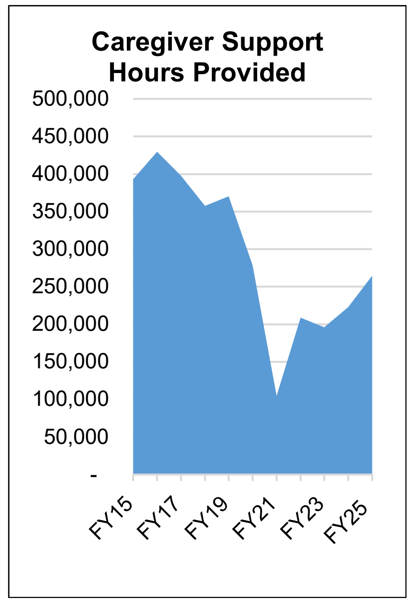
During the fourth quarter of FY25, the Aging and Disability Resource Center (ADRC) received 12,043 calls, averaging 199 per day, an increase of 875 calls from the third quarter, but reflects an overall decline compared to the FY23 and FY24 actuals. During this quarter, the ADRC averaged 10 dedicated FTE, with one FTE focused on appointments. The agency plans to recruit and hire five additional positions. The most common topics of inquiry include assistance with Medicaid, Medicare, and senior centers.

Budget: $4,922.1 **FTE: 40**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Percent of calls to the Aging and Disability Resource Center that are answered by a live operator	81%	73%	90%	64%	R
Percent of calls to the Aging and Disability Resource Center that are resolved in a single contact	NA	73%	90%	96%	G
Percent of customers satisfied with the outcome of their call to the the Aging and Disability Resource Center	NA	96%	90%	96%	G
Percent of residents who remained in the community six months following a nursing home care transition	98%	99%	90%	94%	G
Percent of individuals provided short-term assistance that accessed services within 30 days of a referral from options counseling	84%	93%	92%	99%	G
Percent of facilities visited monthly	53%	56%	40%	66%	G
Percent of ombudsman complaints resolved within sixty days	100%	100%	99%	99%	G
Program Rating	Y	Y			Y

Adult Protective Services

The Adult Protective Services Program (APS) reported 6,915 investigations of abuse, neglect, or exploitation, a decrease from the prior fiscal year. The number of investigations coupled with the percent of repeat abuse, neglect, or exploitation of the cases within six months of a substantiation of an investigation may indicate the program's effectiveness in addressing root causes and reducing the likelihood of repeated harm. Despite the increased number of investigations, APS saw a decrease in the number of referrals made to and enrollments in home care and adult day care as a result of an investigation of abuse, neglect, or exploitation.

Budget: $21,656.1 **FTE: 128**	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Number of Adult Protective Services investigations of abuse, neglect or exploitation	6,863	7,632	6,150	6,915	G
Percent of emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed timeframes	99%	99%	100%	99%	Y
Percent of repeat abuse, neglect or exploitation cases within six months of a substantiation of an investigation	0%	0.5%	2%	0.3%	G
Number of outreach presentations conducted in the community within adult protective services' jurisdiction	409	438	180	384	G
Percent of contractor referrals in which services were implemented within two weeks of the initial referral	72%	71%	80%	69%	Y
Number of referrals made to enrollments in home care and adult daycare services resulting from an investigation of abuse, neglect or exploitation	147	248	400	68	R
Percent of priority two investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed time frames	99%	99%	98%	98%	G
Percent of consumers for whom referrals were made who accessed services and remained in a community setting for six or more months	NA	95%	90%	95%	G
Program Rating	Y	Y			Y



Aging Network

The Aging Network exceeded the target for the hours of caregiver support for FY25, which increased by 17 percent from FY24; previously, the program had struggled to meet prepandemic levels. Services included in this measure are home care, adult daycare, respite care, and counseling and support groups. However, the department fell short of the target for the number of hours of services provided by senior volunteers, statewide. The agency reports that while volunteer service hours are under target, it ended FY25 with an increase of 28 percent over FY24. ALTSD's strategic plan highlights volunteer recruiting as a key priority.

Budget: $58,230.6 **FTE: 24**	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Percent of older New Mexicans receiving congregate and home-delivered meals through Aging Network programs that are assessed with "high" nutritional risk	17%	20%	17%	25%	G
Number of hours of services provided by senior volunteers, statewide	472,250	454,772	745,000	602,853	R
Number of outreach events and activities to identify, contact and provide information about aging network services to potential aging network consumers who may be eligible to access senior services but are not currently accessing those services	764	986	800	745	Y
Number of meals served in congregate and home-delivered meal settings	4,105,279	4,020,390	4,430,000	4,191,156	R
Number of transportation units provided	223,938	265,565	300,000	286,470	R
Number of hours of caregiver support provided	196,246	222,922	167,000	264,906	G
Program Rating	R	Y			Y

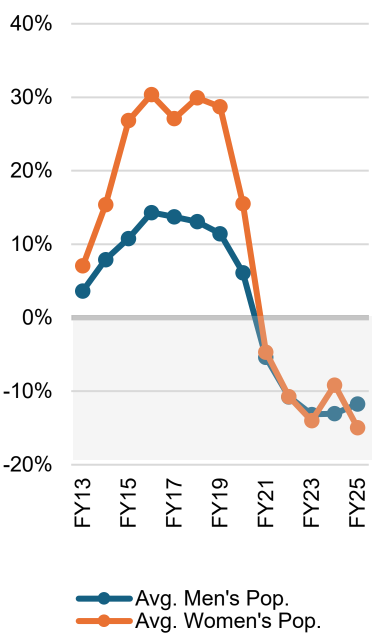
ACTION PLAN

Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

The Corrections Department (NMCD) made progress toward several of its performance targets in FY25. The agency successfully reduced vacancy rates and turnover among correctional officers at public facilities and saw a decrease in recidivism for participants in treatment programs, even as participation rates increased. The agency continued the trend of improving the percentage of people in prison participating in education programming. NMCD reduced vacancy rates among probation and parole officers, resulting in a decline in the average number of cases per officer. Prison populations appear to be leveling off after several years of consistent decline.

Inmate Management and Control

New Mexico Prison Population
Indexed to FY09



Source: NMSC, LFC files

Since 2018, the number of inmates in the state has decreased by more than 23 percent. However, recent increases in new admissions suggest the inmate population could stabilize soon. According to the New Mexico Sentencing Commission's prison population forecast from September 2024, the average number of inmates was expected to be around 5,864 for FY25. However, current data indicate an actual average of approximately 5,621, lower than the estimate but a slight increase of 0.8 percent from the previous year. The growth was mainly due to a 1.5 percent increase in the number of men in prison between June 2024 and July 2025. While the commission projected the number of women in prison would decrease by an average of 2.3 percent between FY24 and FY25, the number of women is down 6.4 percent since the previous year.

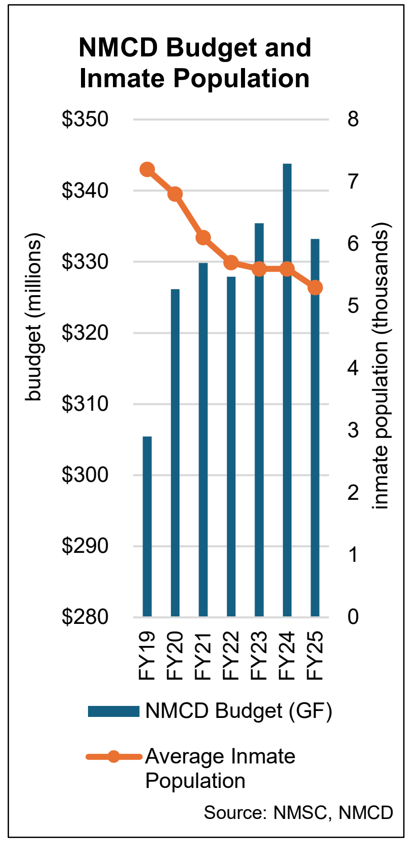
Staffing. Low populations have allowed NMCD to adjust facility occupancy to match staffing levels, despite high vacancy rates. However, this has not been achievable at all facilities. As of June 2025, approximately 25.3 percent of the agency's total positions were unfilled, with public correctional officer vacancies at around 27 percent and private correctional officer vacancies at roughly 39 percent. In March 2025, the department was informed the GEO Group, which operates a private facility in Hobbs, in Lea County, intended to terminate its contract with NMCD.

The closure of the privately operated Lea County Correctional Facility (LCCF) marks a significant shift in NMCD's system. This affected both staffing and inmate populations across the state's publicly managed men's facilities. LCCF's closure at the end of FY25 required the relocation of approximately 1,000 inmates. This transition increased population pressures at the Penitentiary of New Mexico, the Southern New Mexico Correctional Facility, and the Western New Mexico Correctional Facility.

Budget: $282,250.3 **FTE:** 1,857	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Staffing					
Vacancy rate of correctional officers in public facilities	32.2%	29.7%	25%	26.9%	Y
Vacancy rate of correctional officers in private facilities	33.8%	31.9%	25%	38.6%	R
In-House Parole					

Budget: $282,250.3	**FTE:** 1,857	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Average number of male inmates on in-house parole		59.6	39.2	65	41.9	G
Average number of female inmates on in-house parole		3.9	1.9	10	2	G
Prison Violence						
Number of inmate-on-inmate assaults resulting in injury requiring off-site medical treatment		7	13	10	7	G
Number of inmate-on-staff assaults resulting in injury requiring off-site medical treatment		4	2	4	1	G
Health						
Percent of random monthly drug tests administered to at least 10 percent of the inmate population that test positive for drug use*		1.4%	2.1%	N/A	2.7%	
Percent of standard healthcare requirements met by medical contract vendor		99%	98%	98%	93%	R
Program Rating		Y	Y			Y

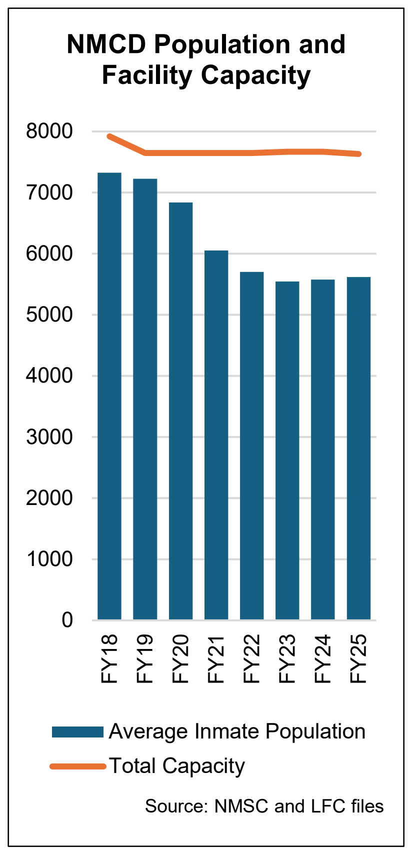
*Measure is classified as explanatory and does not have a target.



Reentry

Recidivism. The three-year recidivism rate of offenders released from NMCD's custody increased from 36 percent in FY23 to an average of approximately 40 percent in FY24. At the close of the fourth quarter, the top-line recidivism rate for NMCD remains at 39.8 percent, indicating it is meeting its target for FY25; however, this trend is not in the desired direction. Recidivism due to new offenses increased from 17 percent in FY23 to 18 percent in FY24 and remained at 17.7 percent as of the end of the fourth quarter of FY25. Recidivism rates during FY23-FY26 are expected to reflect lower recovery center populations due to Covid-19, potentially leading to higher recidivism numbers. However, recovery center populations are gradually increasing, with both the women's and men's recovery centers nearing capacity. The number of individuals enrolled in these programs began to rise following the resumption of normal court operations and the lifting of Covid-19 restrictions. NMCD is also making strides in the number of eligible inmates incarcerated past their release dates, showing a steady reduction in the number of individuals housed past their release date from a peak in FY23.

Education. For the third consecutive year, NMCD has surpassed its previous record for the number of students earning a high school equivalency credential. The agency continues to show growth not only in the number of individuals it educates but also in the percentage of eligible individuals in custody who have obtained their high school equivalency credential or completed an adult basic education program.



Budget: $22,970.2	**FTE:** 130	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Recidivism						
Prisoners reincarcerated within 36 months		36%	40%	40%	39.8%	G
Prisoners reincarcerated within 36 months due to new charges or pending charges		16.9%	17.9%	17%	17.7%	Y

Budget: $22,970.2 FTE: 130	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Prisoners reincarcerated within 36 months due to technical parole violations	19%	21.2%	20%	8.1%	G
Percent of sex offenders reincarcerated on a new sex offense conviction within 36 months of release on the previous sex offense conviction	4%	3%	5%	0%	G
Percent of residential drug abuse program who are reincarcerated within 36 months of release*	19%	26%	N/A	31%	
Graduates from the men's recovery center who are reincarcerated within 36 months*	17%	19%	20%	27%	Y
Graduates from the women's recovery center who are reincarcerated within 36 months*	11%	23%	20%	22%	Y
Education					
Percent of eligible inmates enrolled in educational, cognitive, vocational, and college programs	51%	68%	60%	74%	G
Percent of participating students who have completed adult basic education*	15%	75%	N/A	76%	
Number of students who earn a high school equivalency credential	184	236	165	266	G
Percent of eligible students who earn a high school equivalency credential	15%	75%	80%	76%	Y
Program Rating	G	Y			Y

*Measure is classified as explanatory and does not have a target.

Probation and Parole

The Community Offender Management Program, which houses the Probation and Parole Division, focuses on providing support services after incarceration and immediate sanctions for offenders released from custody but still under state supervision. The agency has consistently improved its officer vacancy rates and the percentage of absconders it apprehends. Other parts of the division focus on delivering evidence-based programs, supervision, and both residential and nonresidential placement services to offenders in the community.

Community Offender Management

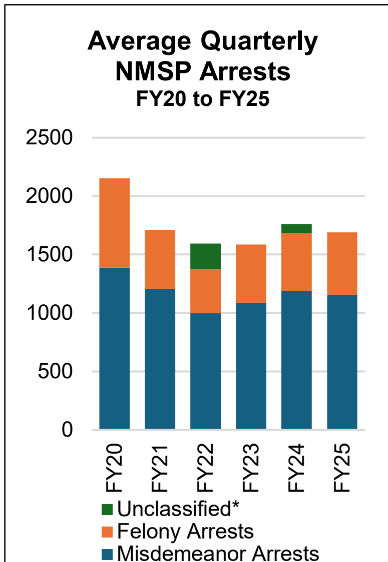
Vacancy rates among probation and parole officers held steady at 16 percent in the fourth quarter of FY25, although this figure is down from 19 percent in FY23. The average caseload per officer increased slightly from 76 to 78. NMCD reports that 34.6 percent of absconders were apprehended in FY25, showing a 7.6 percent improvement from the previous year. Research indicates that offenders with unstable employment or housing, as well as those struggling with substance use disorder, are more likely to abscond. The Community Offender Management Program also made steady progress, raising the number of contacts per month with high-risk offenders in the community from 79 percent in the first quarter to 89 percent by the close of the year. This agency missed its annual target, but it will be well-positioned to start FY26 strong.

Budget: $40,871.5 FTE: 359	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Average standard caseload per probation and parole officer	83	76	88	78	G
Percent of contacts per month made with high-risk offenders in the community	97%	N/A	95%	89%	Y
Vacancy rate of probation and parole officers	19%	17%	18%	16%	G
Percent of absconders apprehended	24.9%	27%	30%	34.6%	G
Program Rating	Y	Y			G

Department of Public Safety

In FY25, the Department of Public Safety (DPS) received funding for several programmatic and structural changes, including pay raises to compensate state police officers based on their years of service, increased dispatcher pay, and efforts to reduce vacancies. DPS worked with the State Personnel Office to start implementing many of these changes early in the year. By the end of the fourth quarter, many of these changes began to show promise, including a decrease in vacancy rates among staff at the state laboratory and among public safety telecommunicators (dispatchers). Through steady recruitment over the past several months, the Santa Fe forensic lab reduced its vacancy rate from 40 percent to 15.8 percent.

ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes



*Due to a change in reporting methodology, some arrests not initially classified as felony or misdemeanor are reported as unclassified.

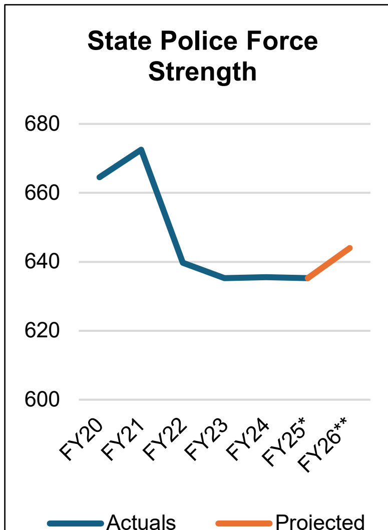
Source: DPS

Law Enforcement Program

Operations. The Law Enforcement Program improved actionable data and intelligence related to crime by implementing a new records management system (RMS) and integrating multiple agencies' RMSs into its intelligence-led policing project. NMSP is also working to hire additional data analysts who do not require a law enforcement certification to improve the speed and accuracy with which it processes and disseminates information to criminal justice partners and other agencies.

Since FY24, NMSP has been reporting clearance rates for crimes investigated by the Criminal Investigations Bureau, broken down by type of crime. Although cases can take multiple quarters, sometimes several years, from assignment to closure and clearance, the data will provide a helpful window into agency operations and efficiency. They will provide the Legislature with a useful window into the types of crimes most affecting public safety in New Mexico.

Manpower. State Police averaged 624 officers in FY25 and a 12 percent overall vacancy rate among commissioned state police officers. Between a new class of graduates from the law enforcement academy and a combination of retirements, resignations, and terminations, NMSP ended the year with 633 officers.



Note:
*Reflects average force strength based on force strength at the end of each quarter.
**Projected by DPS for FY26 Q1 to Q4.

Source: DPS

Budget: $173,186.2 **FTE:** 1,068.25	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Motor Vehicle Safety					
Number of data-driven traffic-related enforcement projects held	4,142	3,781	4,500	4,747	G
Number of driving-while-intoxicated saturation patrols conducted	2,588	3,030	3,000	3,468	G
Number of driving-while-intoxicated arrests*	1,641	2,277	N/A	2,072	
Number of New Mexico State Police misdemeanor and felony arrests*	6,340	7,044	N/A	7,018	
Number of commercial motor vehicle safety inspections conducted	114,539	122,768	100,000	107,804	G
Number of commercial driver and vehicle-out-of-service violations issued*	16,831	15,087	N/A	14,590	
Number of motor carrier safety trainings completed*	41	25	N/A	11	

NIBRS Reporting

DPS is required to collect and report crime data from all law enforcement agencies but has not publicly reported this data as it transitions to the National Incident Based Reporting System (NIBRS) required by the FBI. Unfortunately, many law enforcement agencies are not yet reporting through NIBRS. As of July 2025, 85.3 percent of the state's 130 law enforcement agencies were reporting to the system representing over 80 percent of the state's population. However, according to DPS, several local law enforcement agencies are actively working to validate their data reporting, which will lead to some of these agencies coming off the list below.

Law Enforcement Agencies NOT Reporting to NIBRS

Deming Police Department

Estancia Police Department

Harding County Sheriff's Office

Loving Police Department

NM Highlands University Police Department

Roosevelt County Sheriff's Office

Soccoro Police Department

Taos County Sheriff's Office

Budget: $173,186.2 **FTE:** 1,068.25	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Investigations					
Number of investigations conducted by criminal investigation bureau agents*	390	464	N/A	514	
Percent of total crime scenes processed for other law enforcement agencies*	49.3%	30.6%	N/A	30.0%	
Number of drug-related investigations conducted by narcotics agents*	458	536	N/A	609	
Number of illegally possessed firearms seized as part of criminal investigations*	90	70	N/A	71	
Number of violent repeat offender arrests by the fugitive apprehension unit*	230	401	N/A	335	
Clearance rate of homicide cases investigated by the criminal investigations bureau*	N/A	81.8%	N/A	77.3%	
Total cases investigated by the New Mexico State Police*	1,832	3,140	N/A	2,766	
Other Law Enforcement Activity					
Percent of total New Mexico State Police special operations deployments for other law enforcement agencies*	35%	38%	N/A	33.1%	
Number of crisis intervention cases handled*	283	327	N/A	284	
Number of governor-ordered special deployment operations conducted*	3	7	N/A	10	
Number of man-hours spent on governor-ordered special deployment operations*	4,746	18,381	N/A	15,660	
Recruitment and Retention					
Graduation rate of New Mexico State Police recruit school*	66%	54%	N/A	66%	
Turnover rate of commissioned state police officers*	7.1	8.2	N/A	7.1	
Vacancy rate of commissioned state police officers*	12%	12%	N/A	12%	
New Mexico State Police transportation inspector vacancy rate*	7%	10%	N/A	9.5%	
New Mexico State Police dispatcher vacancy rate*	36%	23%	N/A	17%	
Program Rating	G	G			G

*Measure is classified as explanatory and does not have a target.

Statewide Law Enforcement Support Program

Crime Reporting. DPS has consistently increased the percentage of law enforcement agencies reporting to NIBRS. By the end of FY24, only 77.6 percent of agencies were reporting; to close FY25, the agency has raised that number to 85.3 percent. This will allow public safety and judicial agencies to make more data-driven decisions and help New Mexico avoid being listed among states for which the FBI has been unable to estimate crime data. The lack of reporting previously made it impossible to accurately track crime trends in the state, especially since 2021 was the first year the FBI's national crime statistics relied solely on information provided via NIBRS.

Law Enforcement Academy. In addition to conducting training for both law enforcement officers and dispatchers, including for the largest incoming class of cadets in state history, the academy has worked to support the newly established Standards and Training Council as it creates administrative rules related to training requirements, curricula, methods, professional development programs, and performance standards for law enforcement and public safety dispatchers. LEA has a new acting director, who has been working closely with the Standards and Training Council to update the training curriculum and recruit staff. The academy is also working to complete its buildout of a new training track and finish several deferred maintenance projects between academy classes.

Forensic Laboratory. The newly opened forensic lab in Santa Fe has seen its vacancy rate decrease from 40 percent to 15.8 percent, thanks to successful efforts in filling positions over the last several months. An increase in the number of sexual assault examination kits not completed within six months of receipt was a concerning development at the end of FY24, and the issue has only worsened in FY25. The agency finalized the forensic scientist pay plan, with assistance from the State Personnel Office, and is currently onboarding several groups of new scientists who will be certified and ready to assist with these cases on a rolling basis between the first quarter of FY26 and the start of FY27.

Budget: $34,593.9 **FTE: 225**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Crime Reporting					
Number of crimes against persons reported in the National Incident Based Reporting System by participating law enforcement agencies statewide*	18,815	23,752	N/A	42,358	
Number of crimes against property reported in the National Incident Based Reporting System by participating law enforcement agencies statewide*	44,272	49,459	N/A	98,198	
Number of crimes against society reported in the National Incident Based Reporting System by participating law enforcement agencies statewide*	12,350	10,303	N/A	16,103	
Number of expungements processed*	500	383	N/A	474	
Percent of law enforcement agencies reporting to the National Incident Based Reporting System*	63.8%	76.3%	N/A	85.3%	
Law Enforcement Academy					
Percent of non-state police cadets who graduated from the law enforcement academy through certification by waiver*	100%	98.1%	N/A	94.4%	
Percent of non-state police cadets who graduated from the basic law enforcement academy*	76%	75%	N/A	63.7%	
Graduation rate of telecommunication students from the law enforcement academy*	100%	98.8%	N/A	100%	
Law Enforcement Certification Board					
Percent of complaint cases reviewed and adjudicated annually by the New Mexico Law Enforcement Certification Board*	76.3%	48.6%	N/A	47.5%	
Number of complaint cases adjudicated*	74	54	N/A	57	
Number of complaint cases received*	97	111	N/A	120	
Average age of outstanding complaint cases at the close of the fiscal year, in days*	212	231	N/A	311	
Average time to adjudicate complaint cases, in days*	1,141	300	N/A	466	

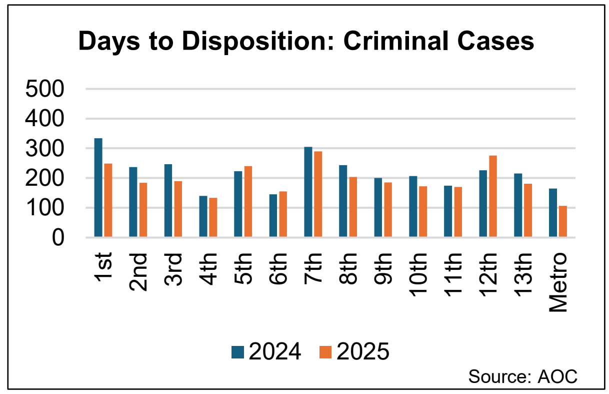
Budget: $34,593.9	**FTE: 225**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Number of certifications issued		565	535	600	567	Y
Forensics Laboratory						
Percent of forensic cases completed		129.4%	94.9%	100%	91.1%	Y
Number of sexual assault examination kits not completed within 180 days of receipt of the kits by the forensic laboratory		0	259	0	1,419	R
Forensic scientist and forensic technician vacancy rate*		26.6%	40.1%	N/A	21.9%	
	Program Rating	G	Y			Y

*Measure is classified as explanatory and does not have a target.

Courts and Judicial Agencies

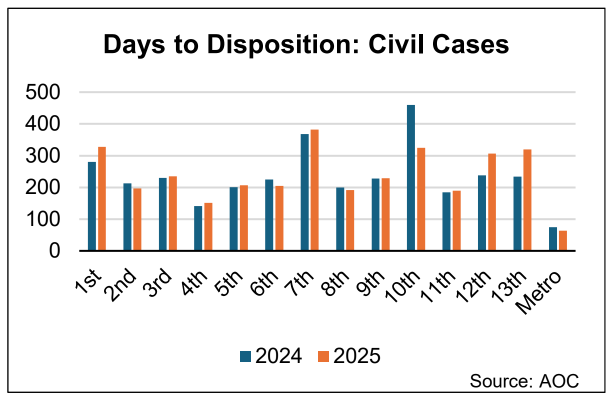
ACTION PLAN	
Submitted by agency?	No
Timeline assigned by agency?	No
Responsibility assigned?	No

Performance trends in New Mexico's courts and criminal justice agencies for FY25 were mixed. Positive trends in areas that have received substantial judicial and legislative attention have largely held, with criminal trial pace and court caseloads surpassing performance targets. While pretrial supervision measures slightly improved from FY24, treatment court recidivism and graduation rates largely worsened from FY23. District attorneys saw increases in both the number of cases referred for screening and the average number of cases added to attorney workload. The Law Offices of the Public Defender continues to struggle with recruitment and retention, especially with contract attorneys, but both in-house and contract attorneys improved on already strong performance measures for charge reductions and alternative sentencing treatments.



Courts

Administrative Support. The average time to disposition for criminal cases decreased to 197 days for FY25. Building on the FY23 and FY24 improvements of 277 to 221 days, it is well within the 365 day performance measure target. Judicial districts either implementing or anticipating the implementation of a case management order to enforce deadlines for trials, like the First and Eighth Judicial Districts, were responsible for some of the largest improvements in days to disposition for criminal cases. The Court of Appeals improved its average time to disposition for criminal cases from 392 days in FY24 to 355 days in FY25. The Supreme Court had an initial review of every discretionary appeal cases within 180 days in FY25, an improvement over the FY24 result of 98 percent. As in FY24, district court clearance rates started strong and declined over the course of the fiscal year. The district court clearance rates of 97.9 percent was below FY24's rate of 100 percent, resulting in a slightly larger backlog heading into FY26. The Metropolitan and magistrate courts, operating under limited jurisdiction, continue to exceed district court clearances rates, with FY25 rates of 99 percent and 103 percent, respectively, after both finishing FY24 at 102 percent.



Between the Metropolitan Court, district courts, and magistrate courts there were 683 jury trials in FY25. After a pandemic low of 517 jury trials in FY21, the

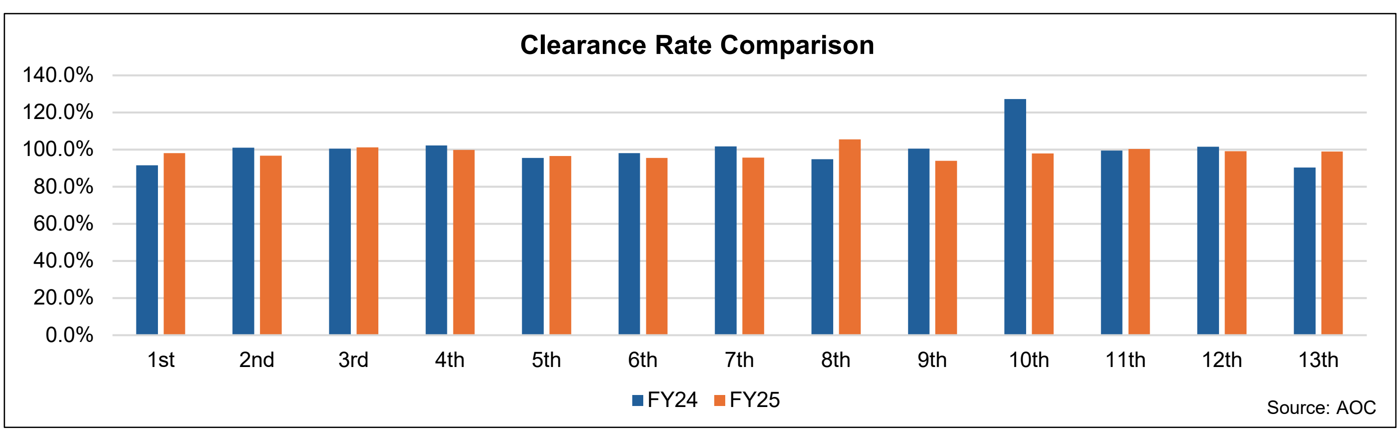


figure rebounded to 760 in FY23 before declining to 689 in FY24 and 683 in FY25. Courts are required by statute to pay jurors minimum wage, and with the 40 percent minimum wage increase from FY20 to FY23, juror costs continue to exceed the target. Although this is somewhat mitigated by the decline in jury trials, the increase is worth monitoring.

Budget: $21,366.0 **FTE:** 67.8	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Average cost per juror	$58.3	$66.3	$55	$67.1	R
Number of jury trials for metro, district, and statewide courts*	760	689	N/A	683	N/A
Average interpreter cost of session	$73.6	$76.2	$150	$75.1	G
Percent of supervised defendants who make all scheduled court appearances*	74%	73%	N/A	74%	G
Percent of supervised defendants who are not charged with a new offense during the pretrial stage	80%	73%	N/A	74%	Y
Age of active pending criminal cases in days	375	276	180	354	R
Days to disposition in criminal cases	277	221	180	197	G
Cases disposed as a percent of cases filed	120%	100%	100%	97.9%	Y
Program Rating	Y	G			G

*Measure is classified as explanatory and does not have a target.

Special Court Services. As an evidence-based practice with consistently lower recidivism rates than traditional incarceration, treatment courts remain an important part of the criminal justice system. Among other factors, treatment court underutilization can be the result of limited resources, insufficient collaboration between the courts and other justice partners, or a disconnect between program capacity and local needs. The treatment court utilization rate for FY25 was 60 percent after finishing FY24 at 69 percent, marking the first

Districts Under Capacity

District	Type	County	Capacity	Participants*	Utilization
1st	Adult	Santa Fe	30	5	17%
1st	DWI	Santa Fe	30	2	7%
1st	Mental Health	Santa Fe	20	1	5%
3rd	Juvenile	Dona Ana	20	1	5%
6th	Adult	Hidalgo	10	2	20%
7th	DWI	Torrance	10	1	10%
12th	Veterans	Otero	10	2	20%
13th	Juvenile	Cibola	25	1	4%
Metro	Veterans	Bernalillo	50	6	12%

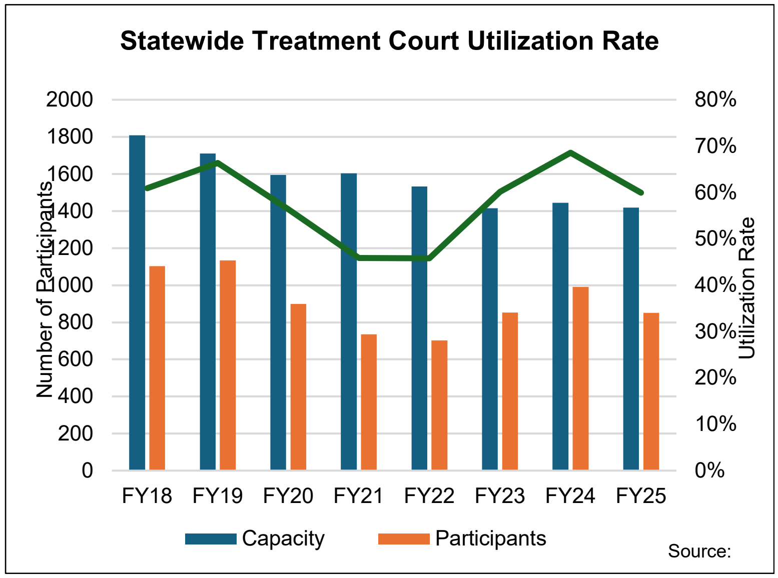
*The active participant number includes everyone in the reporting period, regardless of treatment phase. This includes those needing more resources and those nearing program completion, who require less.

Districts Over Capacity

District	Type	County	Capacity	Participants*	Utilization
2nd	Adult	Bernalillo	90	96	107%
2nd	Young Adult	Bernalillo	60	86	143%
11th	Magistrate DWI	San Juan	25	33	132%

*The active participant number includes everyone in the reporting period, regardless of treatment phase. This includes those needing more resources and those nearing program completion, who require less.

period since FY20-21 with a decline in the overall utilization rate. Statewide treatment court capacity declined slightly from 1,445 in FY24 to capacity for 1,419 participants across New Mexico for FY25. Meanwhile, the number of participants enrolled in treatment courts dropped from 991 in FY24 to 851 in FY25. Some of this drop is the result of specific treatment courts bringing their participation rates in line with program capacity, otherwise, the notable decline in participants and the corresponding lower utilization rate are cause for concern. This decrease is most pronounced in Bernalillo's Metropolitan Court. The Metropolitan Court's Healing to Wellness program dropped from 42 to 29 participants and the DWI Recovery Court went from 123 to 95 participants from FY24 to FY25. The Metropolitan Veterans Court, with a capacity of 50 participants, had 21 people enrolled in FY24 and only six in FY25.



Although treatment court recidivism remains below the Corrections Department's recidivism rates, FY25 saw a continuation and in many cases an exacerbation of the worsening FY23-24 trends. The FY24 recidivism rate for drug-court participants finished just within its performance target of 12 percent at 11.8 percent, but in FY25 the rate rose to 15.7 percent. The recidivism rate for DWI-court participants similarly increased between FY24 and FY25, rising from 8.1 percent to 9.8 percent. As the two treatment court types with the most participants, the increased recidivism rate is concerning, especially when the overall decrease in treatment court participation is taken into account. The cost per-client per-day for drug-court participants, after declining from FY23-24, also increased by over $30 to $64.3 for FY25.

The percentage of defendants not charged with a new offense during the pretrial process and percentage of defendants who make all of their scheduled appearances rebounded slightly in FY25 after declining from FY23 to FY24. For FY25, the percentage of defendants not charged with a new offense during the pretrial period was 75 percent after an FY24 finish of 73 percent, and the percentage of defendants who make all of their scheduled appearances rose from 73 percent to 74 percent. This is a positive sign for a court system that recently centralized the pretrial process in the Administrative Office of the Courts.

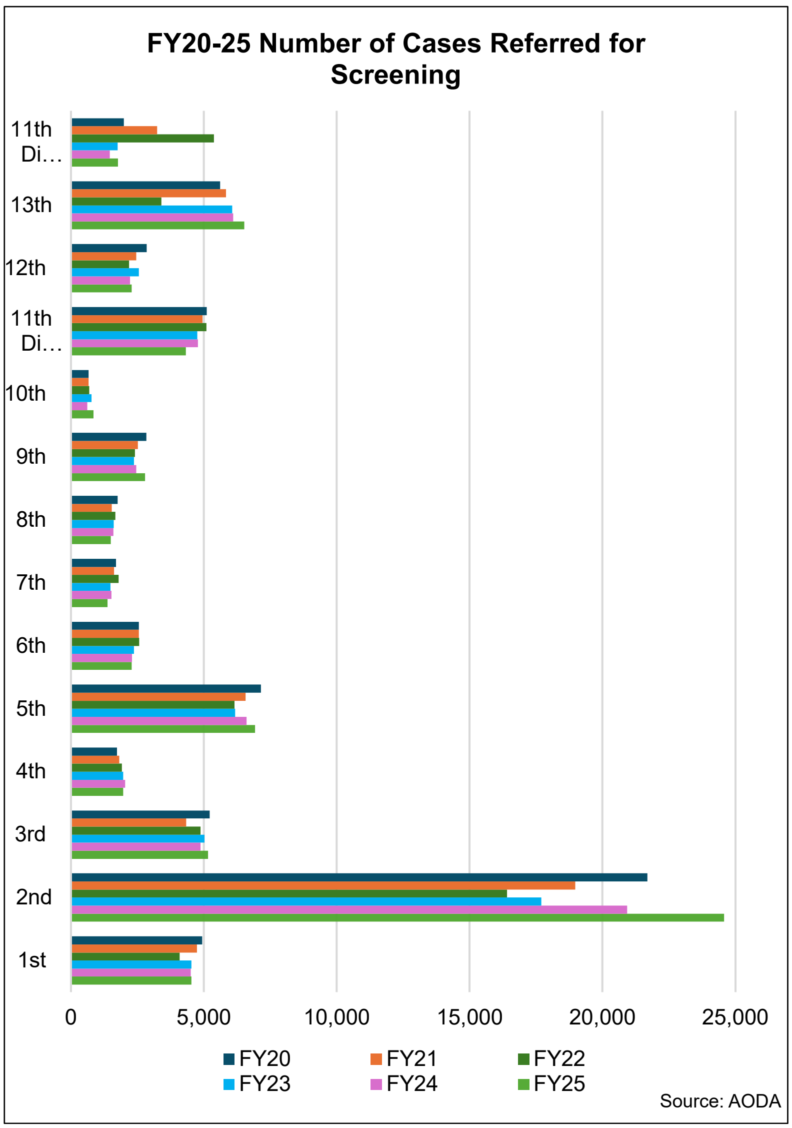
Budget: $22,333.4 **FTE:** 51.5	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Cases to which CASA volunteers are assigned*	507	436	N/A	708	N/A
Monthly supervised child visitations and exchanges conducted	11,181	10,129	N/A	10,374	G
Average time to completed disposition in abuse and neglect cases, in days*	160	157	N/A	179	N/A
Recidivism rate for drug-court participants	9.3%	11.8%	12%	15.7%	Y
Recidivism rate for DWI-court participants	5.1%	8.1%	12%	9.8%	G

Budget: $22,333.4	**FTE:** 51.5	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Graduation rate for drug-court participants*		54.8%	61.0%	90%	44.0%	R
Graduation rate for DWI-court participants*		82.5%	66.8%	90%	76.3%	Y
Cost per client per day for all drug-court participants*		$37.4	$34.1	N/A	$64.3	N/A
	Program Rating	Y	G			Y

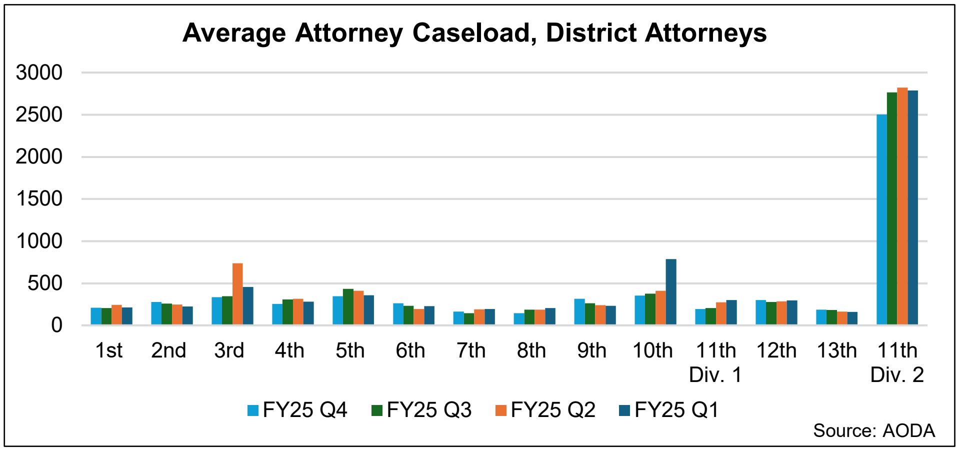
District Attorneys

Recruitment and retention issues continue to burden the judicial system, and the district attorney offices are no exception. Some offices, particularly in rural areas, have attempted to recruit attorneys to work remotely. With pay increases scheduled for attorneys working in the Administrative Office of the Courts and the executive branch, staffing in district attorney offices will have to be monitored.

After a lull during the pandemic, the number of cases referred to district attorney offices has increased every year since FY22, and across FY24 and FY25 it increased from 61,892 to 66,831 cases. The 2nd Judicial District Attorney's office alone received 24,649 case referrals in FY25 after finishing with 20,931 in FY24. In an already difficult staffing environment, this rise in case referrals has led to an increased number of cases added to attorney caseload.



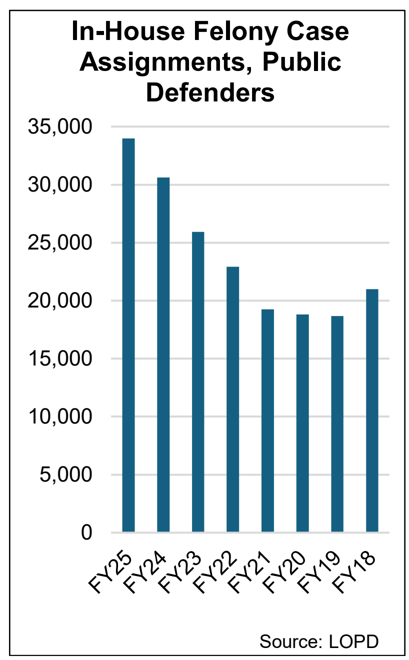
District attorneys began reporting attorney caseloads in FY24, and the average number of cases added to attorney caseloads grew from 92 in FY24 to 101 in FY25. The performance measure does not account for what type of charge prosecutors are pursuing, and with increasingly complicated, felony-heavy caseloads, this rise and future increases could be especially burdensome. The 2nd Judicial District Attorney's average attorney caseload increased from 214 cases in FY24 to 279 cases in FY25. The 11th Judicial District, Division 2 average attorney caseload grew from an already challenging figure of 1,722 cases in FY24 to 2,498 cases in FY25. Some district attorney offices, notably the 1st and the 3rd, were able to effectively distribute the workload even with slight increases in case referrals. The 3rd Judicial District Attorney office decreased its average attorney caseload from 440 in FY24 to 339 in FY25. This improvement was far from universal, and staffing issues and corresponding caseload difficulties at district attorney offices merit considerable attention to determine how the district attorneys can fulfill their statutory duties.



Budget: $107,819.9 **FTE:** 1,037	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Average number of cases added to attorney caseloads	89	92	200	101	Y
Number of Cases Referred for Screening*	58,603	61,982	N/A	66,831	
1st District	4,105	4,504	N/A	4,534	
2nd District	16,434	20,929	N/A	24,659	
3rd District	5,174	4,875	N/A	5,158	
4th District	1,914	2,037	N/A	1,962	
5th District	6,147	6,603	N/A	6,927	
6th District	2,593	2,300	N/A	2,270	
7th District	1,796	1,526	N/A	1,422	
8th District	1,683	1,591	N/A	1,493	
9th District	2,412	2,451	N/A	2,798	
10th District	683	616	N/A	850	
11th District Division I.	5,133	4,771	N/A	4,338	
11th District Division II.	2,172	1,461	N/A	1,807	
12th District	2,678	2,217	N/A	2,283	
13th District	6,139	6,101	N/A	6,543	
Program Rating	G	G			Y

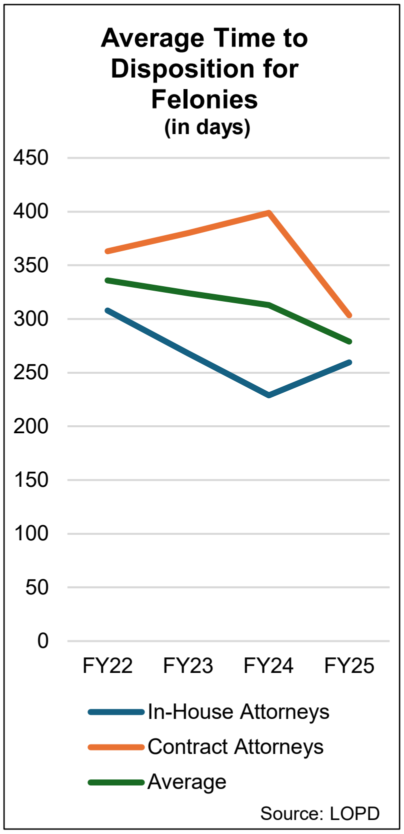
*Measure is classified as explanatory and does not have a target.

Public Defender



The Law Offices of the Public Defender reports the same issues with recruitment and retention as its criminal justice partners. Difficulties in recruiting contract attorneys and staff in rural areas are particularly pronounced. The LOPD Clovis and Carlsbad offices reported 33 percent vacancy rates for FY25, while the Gallup office remains severely strained with an 88 percent attorney vacancy rate. However, even with these challenges and the addition of 20 FTE in FY25, the agency wide LOPD vacancy rate decreased from 12.2 percent to 10.9 percent over the course of the fiscal year. The in-house attorney vacancy rate also fell from 19.3 percent in FY24 to 17.1 percent in FY25. LOPD ended FY24 with three rural offices reporting a vacancy rate of 50 percent or higher, and by FY25 the Gallup location was the only office to exceed a 50 percent vacancy rate.

Just as the district attorneys are filing more complex and felony-heavy caseloads, LOPD has reported more in-house felony case assignments every year since FY19. In FY25 this measure increased to 33,989 case assignments, an 11 percent increase over the previous high of 30,631 in FY24. This increasingly complex caseload is further strained by Albuquerque's Operation Route 66, a joint venture spearheaded by the 2nd Judicial District Attorney and the Bernalillo County Sheriff. People who pick up charges under the operation are not offered diversion agreements, and with at least 926 arrests made as of July 2025, this has resulted in a substantial increase to the LOPD workload.



Contract attorneys face a unique set of challenges due to the larger percentage of felony cases. Complex cases like murders often have multiple co-defendants and a need for contract attorneys to avoid conflicts of interest. The prepandemic average of murder cases assigned to contract attorneys was about 80 per year. In FY22, that number shot up to 201 and remains high at 190 murder cases assigned to contract attorneys for FY25. LOPD continues to explore alternatives to the base pay rate that would better compensate contract attorneys working on these complex cases.

Both in-house and contract attorneys substantially increased the percentage of felony, misdemeanor, and juvenile cases resulting in a reduction of charges. In-house attorneys improved their performance from 66 percent in FY24 to 72 percent for FY25. Contract attorneys improved from 63 percent in FY24 to 70 percent in FY25 and now far surpass their FY23 rate of 47 percent. For contract attorneys, the improvement could be an indication of how well they are logging case outcomes, so this figure should be carefully scrutinized for future changes. Reflecting the lower vacancy rate and the difficulties in recruiting contract attorneys, the percentage of cases assigned to contract attorneys has dipped from 37 percent in FY23 to 34 percent in FY24 and 33 percent in FY25.

Budget: $77,155.0 **FTE:** 516	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Felony, misdemeanor, and juvenile cases resulting in a reduction of original formally filed charges	57%	65%	65%	72%	G
In-house attorneys	62%	66%	65%	72%	G
Contract attorneys	47%	63%	65%	70%	G
Felony, misdemeanor, and juvenile cases resulting in alternative sentencing treatment	13,260	28,523	65%	32,477	G
In-house attorneys	9,774	20,173	65%	24,122	G
Contract attorneys	1,000	8,350	65%	8,355	G
Cases assigned to contract attorneys*	37%	34%	N/A	33%	N/A
Average time to disposition for felonies, in days*	324	313	N/A	279	N/A
In-house attorneys*	268	229	N/A	259.6	N/A
Contract attorneys*	380	399	N/A	301.8	N/A
Cases opened by Public Defender Department*	58,253	61,046	N/A	61,621	N/A
In-house attorneys*	36,775	39,145	N/A	39,971	N/A
Contract attorneys*	21,478	21,901	N/A	21,650	N/A
Program Rating	G	G		G	

*Measure is classified as explanatory and does not have a target.

Department of Transportation

The Department of Transportation (NMDOT) reported deterioration in the quality of New Mexico's roads, with the number of lane miles in poor condition spiking from 5,696 in 2023 to 7,080 in 2024. While most projects are put to bid and completed on time and on budget, road construction costs have climbed and remain 40 percent higher than in 2020, according to national data.

ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

Project Design and Construction

NMDOT reported 88 percent of projects were let as scheduled in FY25, slightly below FY24, but well above the agency's target, while final costs were 1 percent over the initial bid. Overall, the department reported 94 percent of projects were completed according to schedule.

[NMDOT Performance Dashboard]

Highway Operations

NMDOT's annual road survey for 2024 showed fewer road miles in fair or better condition. While NMDOT was able to maintain pavement preservation targets for FY25, only 84 percent of interstate miles and 70 percent of non-interstate miles were rated fair or better. Overall, the number of bridges rated in better than poor condition remains better than the target of 95 percent.

Traffic Fatalities

According to the Insurance Institute for Highway Safety, New Mexico has the ninth worst rate of traffic fatalities, at 1.55 deaths per 100 million vehicle miles traveled in 2023. If New Mexico were able to reduce that rate to the national average, 83 fewer deaths would occur annually on New Mexico's highways.

Modal

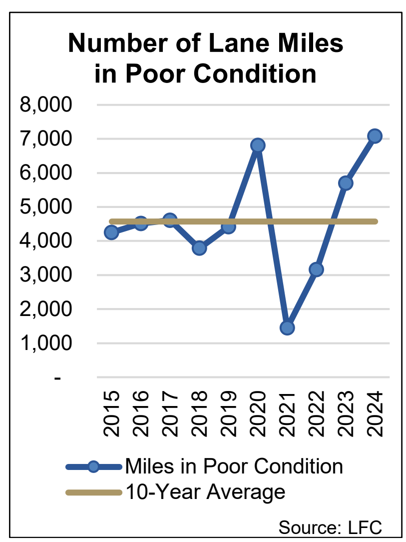
NMDOT reports a total of 404 traffic fatalities in FY25, below FY23 and FY24 levels but above the target of 400. Fatality numbers typically rise in future reports as new data is received.

Program Support

The department's vacancy rate fell from the level seen in FY23 and remains below the statewide average vacancy rate. Departmental safety initiatives are reducing workplace injuries and the number of injuries remained below target for FY25.

	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Projects completed according to schedule	89%	85%	88%	94%	G
Statewide pavement lane miles preserved	4,373	2,966	3,500	3,888	G
Lane miles in poor condition	3,155	5,696	6,925	7,080	R
Traffic fatalities	443	410	400	404	R
Program Rating: Project Design and Const.	G	Y			G
Program Rating: Highway Operations	G	G			Y
Program Rating: Modal	R	R			R
Program Rating: Program Support	G	G			G

*Measure is classified as explanatory and does not have a target.

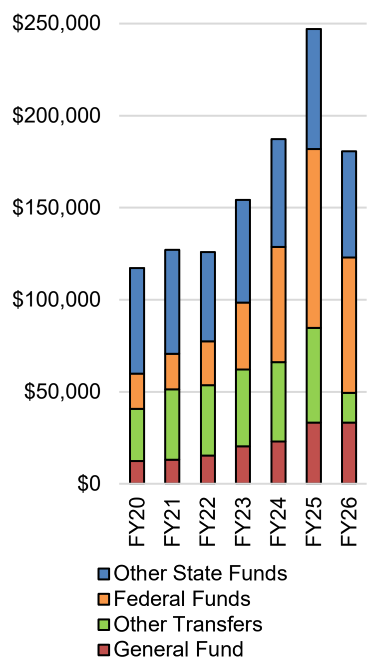


Environment Department

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

NMED Appropriations by Funding Source
(in thousands)



Source: LFC files

Federal Funding Exposure

The portion of NMED's budget funded through federal dollars has steadily increased over the past five years, growing from $19 million, or 16.3 percent, in FY20 to $97.3 million, or 40 percent in FY25. NMED's Water Protection Division receives the largest portion of federal funding, roughly $51 million, making up 68 percent of the divisions total budget. Discussions at the federal level regarding cuts or claw backs related to natural resource protection funding raises the questions as to what avenues the state can pursue in maintaining funding levels for its natural resource agencies.

While certain negative performance trends persisted through FY25, multiple programs reported productive results for the fourth quarter of FY25. The agency's groundwater permitting program exceeded its 100 percent target by 20 percent and the Environmental Health Bureau inspected 7,531 restaurants and food facilities, resulting in a 95 percent completion rate. The continuing negative performance trends seen in Resource Protection slightly abated, with one of its performance measures moving from red to yellow, although the program overall finished the year in the red.

The improved performance in certain sectors of the agency is due in part to improved agency operations and legislative investment. In addition to the significant investment made into NMED over the past six years, the agency suggests the department needs significant additional funding to address its staffing and retention issues. Potential federal funding cuts to natural resource protection funding could exacerbate funding issues. The Legislature should continue to monitor NMED performance and consider targeted investment or research into persistently low performing sectors of the agency.

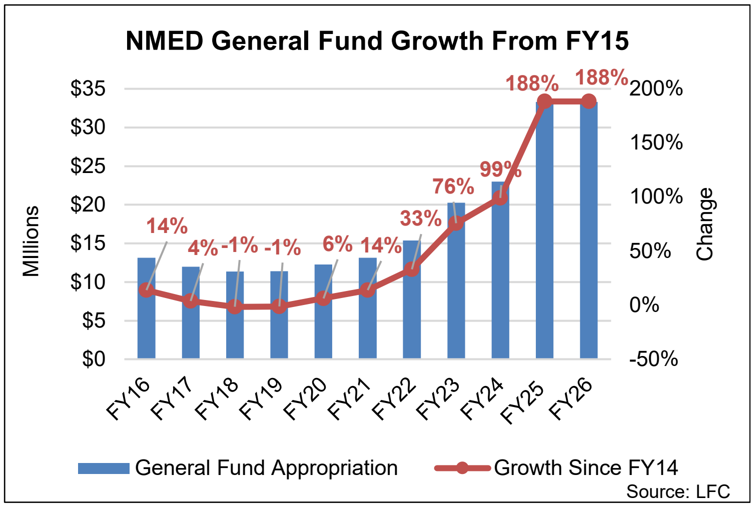
Water Protection

Amendments to the state Water Quality Act enacted in 2025 granted primacy to NMED to administer a National Pollutant Discharge Elimination System program, in effect placing control of all discharge into the state's surface water and groundwater from the federal government to the state's water quality agency. Creation and implementation is underway and will continue to take shape, pending approval of a permitting program from the Water Quality Control Commission. NMED met is FY25 target for surface water permittees inspected, exceeding the target by 20 percent. NMED did not meet its FY25 target for groundwater permits inspected, missing it by 26 percent. The agency notes staffing issues could abate because only four of the 35 inspector positions remain vacant. However, a database to enhance tracking and documentation has yet to be implemented and the additional workload added to NMED from the amendments could further hamper the groundwater bureau's ability to meet its performance measure. The Construction Programs Bureau initiated 148 new water infrastructure projects in FY25 and exceeded its FY25 target.

Budget: $62,511.4 **FTE:** 191.3	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Percent of the population served safe and healthy drinking water	89.8%	89.5%	95%	94.7%	G
Percent of surface water permittees inspected	145%	100%	100%	120%	G
Percent of groundwater permittees inspected	18.2%	30.6%	65%	39%	R
Number of new water infrastructure projects	157	175	115	148	G
Program Rating	Y	Y			Y

Resource Protection

The Resource Protection Division (RPD) continued to be far behind the target for two of its three performance measures, with one measure finishing the year with a yellow. RPD continues to have issues with recruitment and retention, specifically in its Solid and Hazardous Waste bureaus, resulting in consistent lagging of performance measures. RPD notes it has continued to work to reclassify existing vacancies to higher-level positions to improve recruitment and retention, but the agency reports additional staffing is needed to improve the rate of inspections. The agency requested a $300 thousand, or 10.8 percent, increase for FY27 to address these issues but did not prioritize an increase for the division in FY26.



Source: LFC

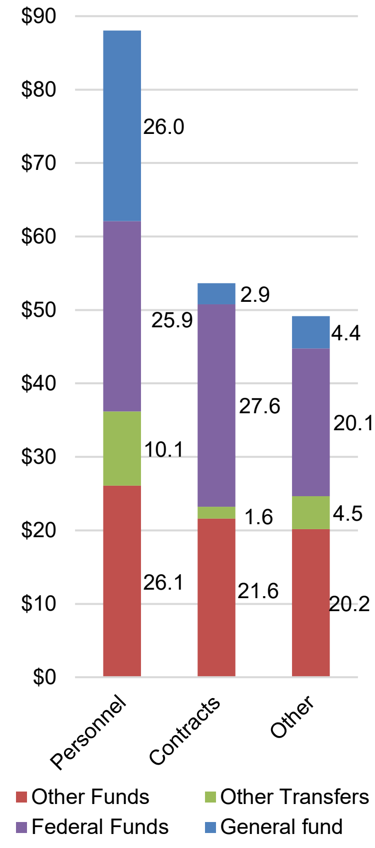
The Petroleum Storage Tank Bureau has nine vacant positions within its Remediation program and used 30 percent of the corrective action fund for program operation costs. The agency reported it completed the cleanup of 972 petroleum storage tank release sites in FY25 but still missed the target by over 1,000. The agency sites a lack of funding as its largest impediment to meeting performance measures; NMED's general fund budget has grown by 188 percent over 10 years, from $13.2 million in FY25 to $33.3 million in FY26.

The Hazardous Waste Bureau (HWB) monitors 2,547 hazardous waste generators in the state, though this number changes frequently. HWB currently has 6 FTE focused on compliance. HWB inspected less than one percent of the hazardous waste sites in the state in the fourth quarter of FY25. The program also helped man the Emergency Operations Center, which contributed to the low number of inspections. The continued trend of low inspection rates remains even after the bureaus began the decline in the pandemic. While the low inspection rate has been predominantly due to a lack of staff, new efforts to improve performance should be prioritized. The creation of the Compliance and Enforcement Division (CED) could aid in increasing the operational success of the bureau.

Budget: $18,653.4 **FTE:** 144.3	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Number of completed cleanups of petroleum storage tank release sites that require no further action	2,005	2,041	1,976	972	R
Percent of solid waste facilities and infectious waste management facilities inspected	53.3%	98.8%	87.5%	75.4%	Y
Percent of hazardous waste facilities inspected	3.7%	3.7%	15.0%	4.3%	R
Program Rating	R	Y			R

Environmental Protection

While inspections are valuable for determining whether regulated entities comply with applicable laws, rules, or permits, many of NMED's regulatory compliance programs continually struggle to meet their target percentage of applicable entities inspected. The Environmental Protection Division's Air Quality (AQB) and Radiation Control (RCB) bureaus are responsible for enforcing regulatory and compliance measures to protect the environment and prevent harm to human health. The creation of CED will move the enforcing of the regulation and permits from these bureaus, which could improve compliance.



Source: LFC files

AQB noted only 78.3 percent of the state's population is breathing air meeting federal health standards, which the bureau notes the Carlsbad air monitoring station found ozone levels in the area exceed federal air quality standards. It also noted large dust storms in Doña Ana and Luna counties contributed to the low air quality figures. The state has 20 air monitoring stations, with the majority surrounding Las Cruces and others scattered around the state (Bernalillo County monitors its own air quality and is separate from the reporting AQB does). Additional stations could provide a clearer picture as to the state's air quality.

Budget: $18,320.1 **FTE:** 121.8	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Percent of ionizing and non-ionizing radiation sources inspected	15%	16.8%	20%	13.2%	R
Percent of air emitting sources inspected	33.3%	32.2%	25%	23.9%	Y
Percent of the population breathing air meeting federal health standards	99.9%	99.9%	95%	78.3%	R
Program Rating	R	Y			R

Environmental Health

The Environmental Health Division (EHD) continued to administer the state hemp extraction and manufacturing program. EHD is also responsible for working to prevent workplace injuries and fatalities, avoiding unnecessary risks to public health from commercially prepared foods, regulating septic tanks, and ensuring the safety of public pools and spas.

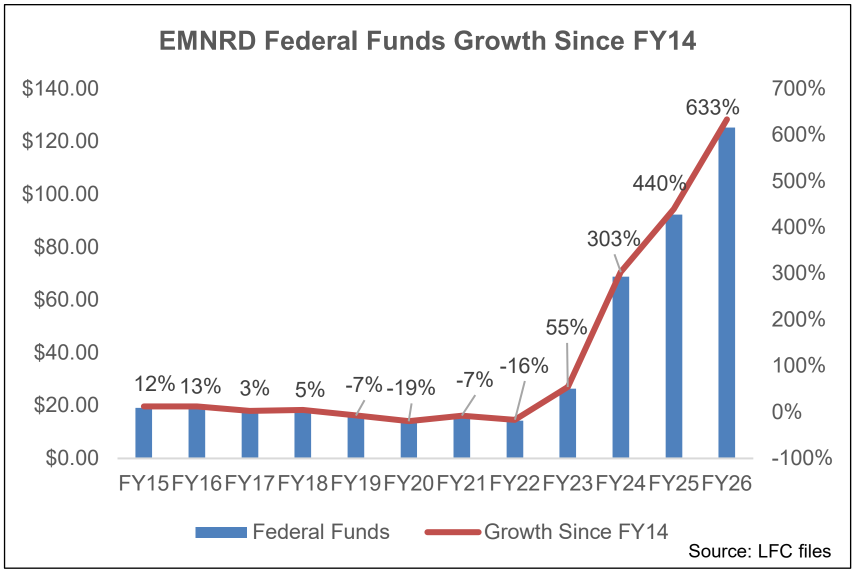
The Occupational Health and Safety Bureau conducts hundreds of inspections annually and targets workplaces with the greatest expectations of noncompliance to reduce illness, injuries, and fatalities. The bureau, which inspects approximately 1 percent of all workplaces each year, found 60.5 percent of employers did not meet occupational health and safety requirement for at least one standard in FY25, exceeding the target of 55 percent.

Under state statute and regulation, each restaurant and food manufacturer in the state should be inspected once per year. The bureau conducted 7,531 inspections in FY25, though this figure does not include temporary facilities, compliant inspections, or re-inspections. With roughly 95 percent of inspections complete, the bureau met its FY25 target. Bureau staff currently have a compliance and enforcement workload of approximately 313 facilities per inspector, above the federal Food and Drug Administration's guidance that retail food inspectors (a much narrower role than EHB's inspectors) are assigned 280-320 inspections.

Budget: $ 16,219.3 **FTE:** 156.0	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Number of employers that did not meet occupational health and safety requirements for at least one standard compared with the total number of employers	64%	67.1%	55%	60.5%	Y
Percent of restaurants and food manufacturers inspected	80%	80.5%	90%	95%	G
Percent of new or modified liquid waste systems inspected	86%	91%	85%	53.2%	R
Program Rating	R	Y			Y

ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

The Energy, Minerals and Natural Resources Department's (EMNRD) exceeded the targets on all FY25 performance measures, except one. The lone lagging measure, plugged wells by the Oil Conservation Division's (OCD), missed the target by 28 wells, or by 40 percent. Beyond the historic issues OCD faces, the majority of EMNRD's divisions successfully performed their tasks. The State Forestry Division (SFD) treated a total of 19,931 acres, over 6,000 more acres than FY24, while also training 2,149 wildland firefighters, over 600 more than the target. State Parks exceeded its target revenue and visitation numbers and the Energy Conservation and Management Division processed over 6,000 solar, energy conservation, and sustainable building tax credit applications and launched a new online portal for the public to more easily apply for current and new tax credits. The Legislature's substantial investment into EMNRD appears to be improving performance and a recent LFC program evaluation on OCD's plugging operations recommends for actionable changes that could improve the agency's lone lagging performance measure.

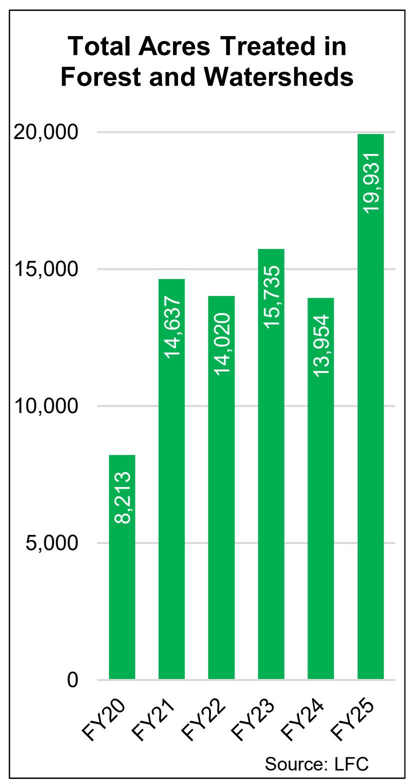


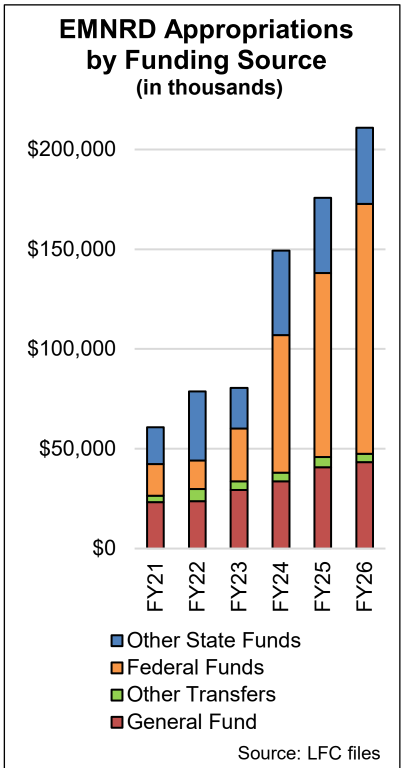
Healthy Forests

Wildland Firefighter Training. The State Forestry Division (SFD) saw a significant bump in training numbers after the fires in 2022, resulting in historic numbers of newly trained wildland firefighters in 2023 and 2024. SFD trained a total of 2,149 wildland firefighters in FY25, exceeding the target by 43.3 percent. A new state price agreement for training contractors was noted by the program as a key contributor to the increased numbers.

Forest and Watershed Treatment. SFD reported a record number of treated acres in FY25, a total of 19,931 acres that included 8,706 acres in the fourth quarter. SFD attributes the high numbers to increased federal funding, in particular congressionally directed spending and community wildfire defense grants. SFD notes nearly 10,000 of the acres treated were done with federal grants. Nearly 4,154 acres were treated through prescribed burning and over 2,800 acres of high-risk watersheds were also treated.

SFD notes the success of FY25 may be difficult to replicate moving forward due to the likelihood of declining federal funding. Roughly 17 thousand acres are slated for treatment, which SFD estimates could cost up to $37.6 million. The department is awaiting approval based on confirming a funding source. While SFD is looking for additional funding opportunities, the program also notes during the 2025 legislative session, amendments to the Forest and Watershed Act allowed for new buffer projects to protect public and private areas.



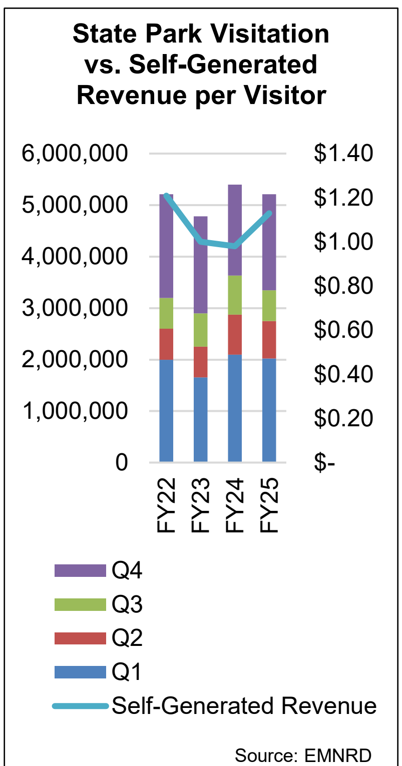


Budget: $61,269	FTE: 145	FY23 Actual	FY24 Actual	FY25 Target	FY25 Total	Rating
Number of nonfederal wildland firefighters provided professional and technical incident command system training		1,554	3,012	1,500	2,149	G
Number of acres treated in New Mexico's forest and watersheds		15,735	13,954	14,500	19,931	G
	Program Rating	Y	G			G

Energy Conservation and Management

Over the course of FY25, the Energy, Conservation and Management Division received 5,327 applications for the solar market development tax credit. Of these, 1,676 applications were returned as incomplete and 3,651 were successfully approved for processing. ECMD also received 384 applications for the energy conserving products credit and 451 applications for the sustainable building tax credit. The division is working with EMNRD IT staff to make improvements to its online application portal to accommodate updated clean car and clean car charging tax credits passed in the 2024 legislative session.

Budget: $6,373.9	FTE: 34	FY23 Actual	FY24 Actual	FY25 Target	FY25 Target	Rating
Percent of completed applications for clean energy tax credits reviewed within 30 days of receipt		99%	99%	95%	99.8%	G
	Program Rating	G	G			G



State Parks

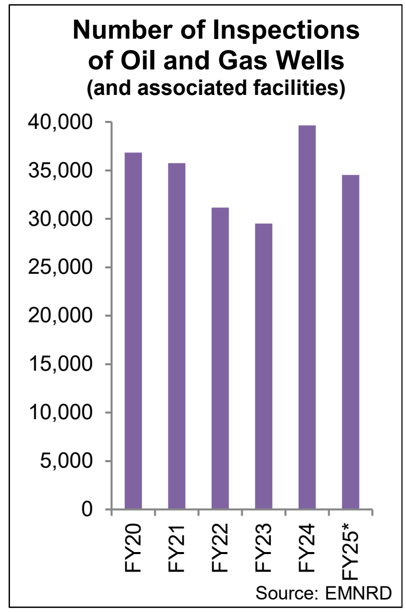
New state park fees have increased the amount of revenue the division receives. Visitation numbers exceeded the target by 450 thousand, with nearly half the visits occurring in the fourth quarter. State Parks also reported, as directed by the Department of Finance Administration, it will be collecting gross revenues from a central reservation system, replacing the previous net revenues system previously used. As a result, State Parks notes the revenue report will differ from previous quarters. The program also notes implementation of legislation creating free day passes for veterans could also impact revenue totals for FY26.

Budget: $41,352.9	FTE: 241.41	FY23 Actual	FY24 Actual	FY25 Target	FY25 Total	Rating
Number of visitors to state parks		4.78 million	5.4 million	4.75 million	5.2 million	G
Amount of self-generated revenue per visitor, in dollars		$1.01	$1.21	$1.00	$1.13	G
	Program Rating	G	G			G

Mine Reclamation

The Coal and Mining Act programs require financial assurance for permitted mines. The coal program monitors six coal mines, all of which are 100 percent covered by financial assurance. The Mining Act Reclamation Program manages 60 mines, of which 59 have adequate financial assurance posted to cover the cost of reclamation. Together, the programs have a 99 percent compliance rate. Due to the stability of the existing performance measures, new performance measures should be discussed to gain more information on the division's activity.

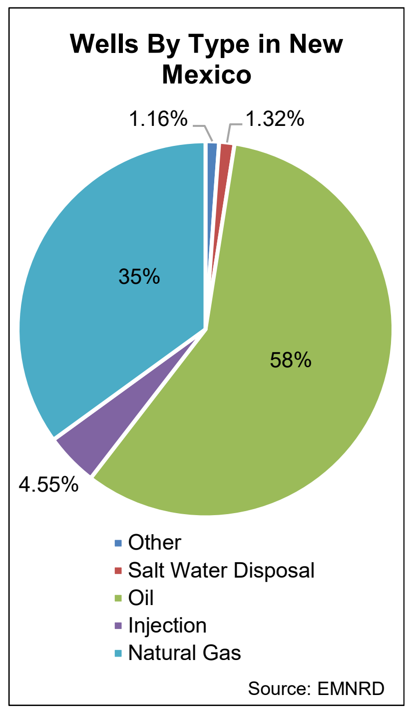
Budget: $13,668.1 **FTE:** 33	FY23 Actual	FY24 Actual	FY25 Target	FY25 Target	Rating
Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	99%	99%	99%	99%	G
Program Rating	G	G			G



Oil and Gas Conservation

The Oil Conservation Division (OCD) issued a total of 6,070 violations across the state's oil-producing basins during routine inspections in FY25. OCD increased its pace of inspections after three consecutive years of decline while also implementing new inspection protocols. OCD inspected 34,554 oil and gas wells in FY25, exceeding its 30 thousand inspection target by 4,554. The division has hired a new permanent director, though the agency still reports 33 vacant FTE, a funded vacancy rate of 15.3 percent and $1.5 million in projected vacancy savings in FY25.

OCD missed its FY25 target for plugging abandoned wells by 28 wells, or 40 percent. The program notes this is due in part to use of federal funds for plugging being delayed due to new requirements and compliance with the Endangered Species and National Historic Preservation acts. However, both of these hurdles will be lifted in FY26, which could result in more plugged wells. With up to 700 orphaned wells on the agency's list for plugging, the agency's ability to complete these plugging projects, with the aid of federal funds, is critical to protecting public health and safety. An LFC program evaluation of OCD's orphaned well plugging, discussed access to financial obligations, contract management, and the plugging and remediation of wells, and recommended improvements, such as an amended financial system and greater financial assurances from well owners.

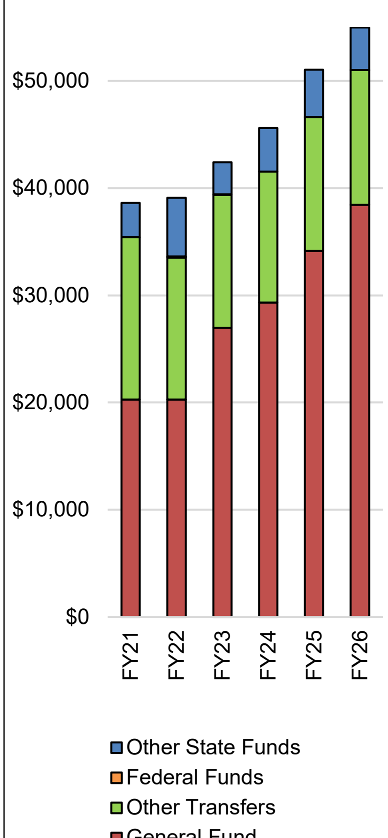


Budget: $58,008.3 **FTE:** 86	FY23 Actual	FY24 Actual	FY25 Target	FY25 Target	Rating
Number of inspections of oil and gas wells and associated facilities	29,522	39,640	30,000	34,554	G
Number of abandoned wells properly plugged	76	105	70	42	R
Number of violations issued with associated administrative penalties*	2,552	5,138	N/A	6,070	
Program Rating	Y	G			Y

Office of the State Engineer

ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

OSE Appropriations by Funding Source
(in thousands)



Source: LFC files

The Office of the State Engineer (OSE) exceeded the targets on all but one of the agencies' performance measures. Performance measures targets could be increased to analyze the agency's ability to continue to improve performance. Also, additional performance measures, gauging for instance, the agency's ability to utilize substantial nonrecurring and capital outlay appropriations, should be considered.

The Office of the State Engineer (OSE) and the Interstate Stream Commission (ISC) filed documents to end the state's long standing Rio Grande Compact litigation. With a hearing set for September 29th, 2025, the state still must wait for the U.S. Supreme Court to issue a final ruling. The City of Las Cruces did not sign on the amicus curiae brief, though negotiators remained confident a resolution could be reached. Additionally, two of the regional irrigation districts -- Elephant Butte Irrigation District and El Paso County Water Improvement District No.1 -- both signed off on the recent settlement documents. Once a settlement is finalized, discussion on scope and timeline of implementation will begin to take shape.

Water Resource Allocation

The Water Rights Division processed an average of 30.4 applications in FY25. This results in the division missing their average target by 5, or roughly 9 percent. The agency notes this measure provides the agency with a barometer of its efficiency in reviewing incoming applications, and if they are lagging, gives them an indication as to whether further resources are needed.

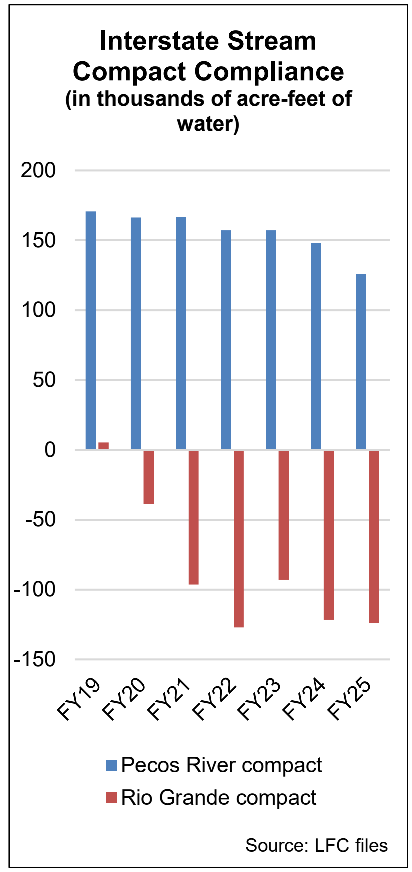
The Water Rights Abstract Bureau is responsible for populating and maintaining the Water Administration Technical Engineering Resource System and exceeded the FY25 target of 21 thousand transactions by 4,000, indicating a possible increase in the target could be considered. The bureau is 0.1 percent from completing the abstracting (surveying) of the Estancia groundwater Basin and has begun the Roswell Artesian Basin. The Dam Safety Bureau performed 54 inspections in FY25, exceeding the targeted amount by nine, or 20 percent.

Budget: $21,960 **FTE:** 192	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Number of unprotested and unaggrieved water right applications backlogged*	445	395	N/A	1,359	G
Average number of unprotested new and pending applications processed per month	37.8	31.5	35	30.5	Y
Number of transactions abstracted annually into the water administration technical engineering resource system database	19,210	13,501	21,000	25,015	G
Number of notices issued to owners of publicly owned dams notifying them of deficiencies or potential issues	60	113	45	54	G
Program Rating	G	Y			G

Interstate Stream Commission

The state's cumulative Pecos River Compact credit remained positive throughout the year, with the U.S. Supreme Court's Pecos river master issuing a final water year report near the end of the fiscal year. The ruling resulted in a 22,000 acre-feet debit, bringing the cumulative credit down to 126,000 for the year.

New Mexico's Rio Grande Compact cumulative delivery deficit was 124,000 acre-feet for FY25, a 2 percent increase in the deficit from FY24. This resulted in the cumulative delivery deficit still resting below the compact compliance debit threshold of 200,000 acre-feet and below the target of 150,000-acre feet. OSE and ISC are working to identify additional actions that might be needed to increase deliveries. Due to restrictions in the compact and the states' current accrued debit status, no native storage in reservoirs created after 1929 will occur in 2025. Roughly 24,900 acre-feet of water is being stored in El Vado Reservoir to test the safety of the dam, and a new rehabilitation design continues to be evaluated. Also, 12,000 acre-feet of water is being stored in Abiquiu Reservoir and the agency notes additional work on river conveyance could be needed to maintain delivery capacity.

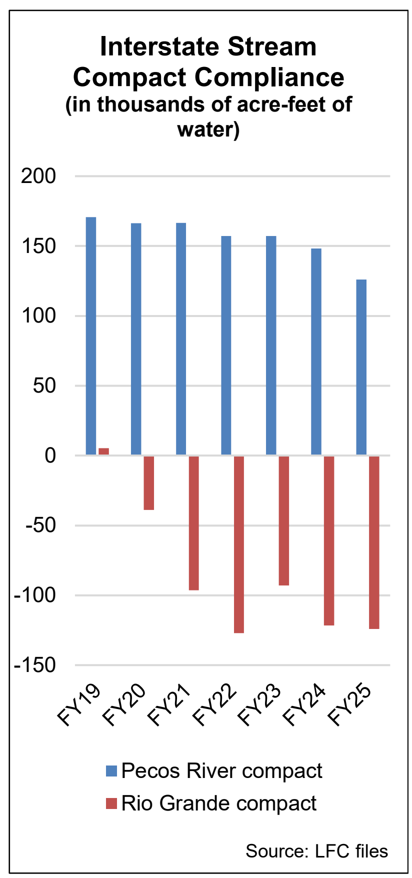


Budget: $15,095.1 **FTE:** 68	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Cumulative New Mexico Unit fund expenditures, in millions of dollars*	$22.3	$22.6	N/A	$23.1	
Cumulative state-line delivery credit per the Pecos River Compact, in thousand acre-feet	156.6	148.2	161.6	126	G
Cumulative delivery credit per the Rio Grande Compact, in thousand acre-feet	-93	-121.5	< -150	-124	Y
Program Rating	Y	G			Y

Litigation and Adjudication

The Litigation and Adjudication Program (LAP) exceeded its FY25 target by 28 offers, or nearly 10 percent, showing consistent progress toward its goal of fully adjudicating water rights in the Lower Rio Grande Basin. Due to LAP exceeding its target of 300 offers for FY25, an increase to the performance measure should be considered.

Data is regularly added to LAP's water right adjudication database, encompassing information from hydrographic surveys to finalized adjudication details. Monthly updates or as-needed entries are made based on field investigations, surveys, and court actions that result in offers.



Budget: $8,966.3 **FTE:** 68	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Number of offers to defendants in adjudications	436	406	300	328	G
Percent of all water rights with judicial determinations	76.7%	77%	76%	68.4%	Y
Program Rating	G	G			G

General Services Department

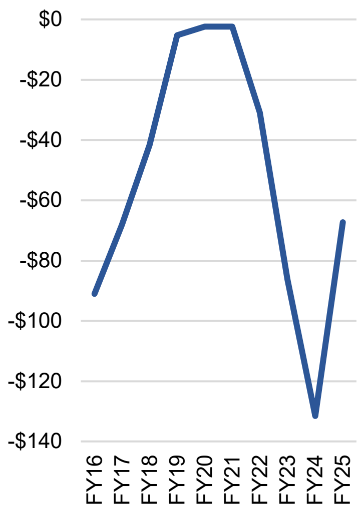
ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

The General Services Department (GSD) reports continued deterioration of funds managed by the Risk Management Division, driven by large civil rights claims against several state agencies and institutions of higher education. GSD reports the state's public liability fund is projected to close the fiscal year without reserves. Special appropriations to ensure the solvency of the fund were approved by the Legislature but will only cover a portion of the fund's losses.

Risk Management

The department's Risk Management Division oversees the state's shared risk pools, including the public property fund, the workers compensation fund, and the public liability fund. Overall, the financial position of the three funds, determined by dividing the current assets by the current liabilities, is 39 percent, down from 78 percent at the end of FY22, but the largest driver of losses is the state's public liability fund. While projected liabilities in that fund have decreased to $86.2 million, down from $131 million, projected assets ended in the negative at the end of FY25. Overall, projected assets are short of projected liabilities by $65.9 million, with the public liability fund reporting a shortage of $105.4 million.

Net Position of Major Risk Funds
(in millions)



Source: GSD and LFC Files

Budget: $110,968.7 **FTE:** 0	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Projected financial position of the public property fund*	215%	275%		270%	G
Projected financial position of the workers' compensation fund*	56%	63%		287%	G
Projected financial position of the public liability fund*	42%	16%		-22%	R
Program Rating	R	R			R

*Measure is classified as explanatory and does not have a target.

Facilities Management

The Facilities Management Division (FMD) reports only 78 percent of scheduled preventive maintenance activities were completed on time, although the agency met performance targets for on-time completion of capital projects. The agency reports an inability to keep up with preventive maintenance due to a shortage of staff.

Budget: $110,968.7 **FTE:** 0	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Capital projects completed on schedule	87%	94%	90%	96%	G
Preventive maintenance completed on time	70%	67%	90%	78%	R
Amount of utility savings resulting from green energy initiatives, in thousands*	-$38	$376		$583	R
Program Rating	R	R			R

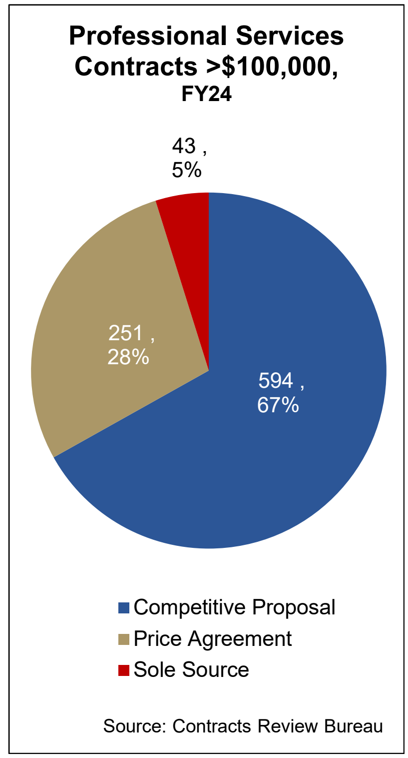
*Measure is classified as explanatory and does not have a target.

Space Standards

GSD continues to report 100 percent of leases meet adopted space standards; however, the department reports nine of the 10 new leases were not subject to the standard and excluded from the calculation. Routine exclusion of leases not meeting space standards negates the value of this measure and the agency should adjust its methodology to accurately report the percentage of leases meeting the 215 square feet per FTE target.

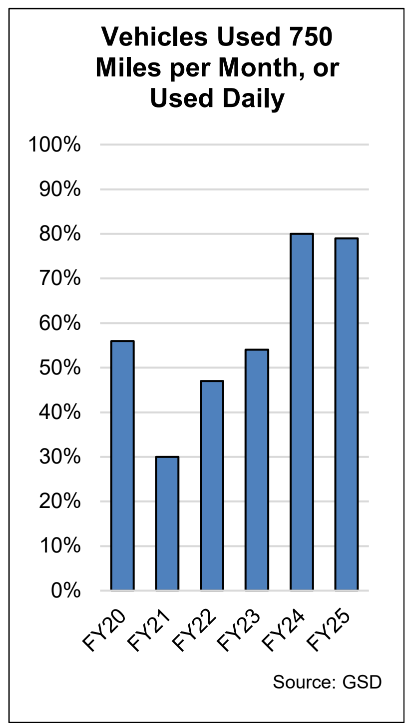
Other Programs

State Purchasing. The department reports only 67 percent of procurements were completed within the targeted timeframe and only 61 percent of invitation to bids awarded withing 90 days. The division is successful at completing contract review within targeted timeframes, with an average review of only 1.3 days. State agencies have increased their reliance on price agreements for purchasing services: monthly reports from the GSD's Contracts Review Bureau show a quarter of professional services contracts valued at more than $100 thousand were purchased using a price agreement rather than through a competitive proposal. Previous LFC evaluations included recommendations to repeal some widely used purchasing exemptions that circumvent competition and adding guardrails to the use of statewide price agreements. To date, recommended changes to the Procurement Code remain unaddressed.



Transportation Services. Over the long term, state agencies have improved their vehicle utilization, with nearly all leased vehicles used daily or for at least 750 miles per month, above the performance target of 70 percent. GSD reports 54 percent of vehicles we used for more than 750 miles per month, while 50 percent of vehicles were used daily. Operating costs for vehicles exceeded the target 60 cents per mile in FY24, although the department notes the total remains below the industry average of 82 cents per mile, according to the American Automobile Association. The division's operation could change dramatically in light of the recent executive order transitioning the state's vehicle fleet to zero emission vehicles. Currently, the division does not have performance metrics related to the transition, but the executive order required GSD and the Department of Transportation to develop program benchmarks and progress reporting

State Printing. Although the division reported a slight operating loss in FY25, this was due to the purchase of new equipment, which is not expected to impact future performance. The division had sufficient fund balance to cover a non-recurring purchase. Revenue increased 23 percent in FY25. The division successfully delivered all printing jobs on time.



Budget: $110,968.7 **FTE: 0**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Procurements completed within targeted timeframes	87%	81%	80%	67%	R
Percent of invitations to bid awarded within 90 days	NEW	74%	90%	61%	R
Percent of leased vehicles used for 750 miles per month or used daily	54%	80%	70%	93%	G
Average vehicle operation costs per mile	$0.52	$0.68	$0.60	$0.76	R
State printing revenue exceeding expenditures			5%	-0.1%	Y
Program Rating: Purchasing	G	G			R
Program Rating: Transportation	R	Y			G
Program Rating: Printing	G	G			G

*Measure is classified as explanatory and does not have a target.

State Personnel

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

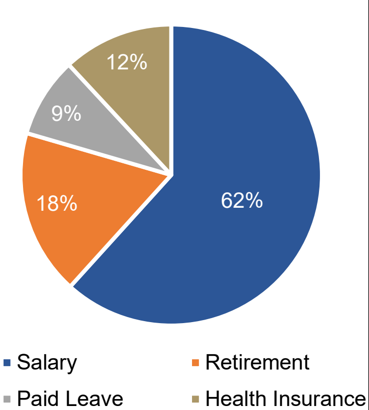
Employee Retention

According to SPO, only 68 percent of new employees complete their probationary period. If retention patterns do not change, more than 1,000 of the 3,268 people hired in FY25 will not complete their one-year probation.

To reverse trends, SPO has encouraged agencies to take advantage of resources such as SPO-led management training courses. Research shows positive relationships with managers are key to retaining employees and encouraging a productive workforce.

SPO Performance Dashboard

State Employee Total Compensation



Source: SPO

Recent pay increases have helped to improve key metrics related to the state's personnel system, but high turnover and the continued growth in the number of positions within state agencies led to continued high vacancy rates. While retention has improved from lows in 2022 and 2023, more than 30 percent of new employees leave state service within one year of joining.

Budget: $4,673.0 **FTE:** 44	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Average number of days to fill a position from the date of posting*	66	64	N/A	64	Y
Classified service vacancy rate*	23.8%	22.7%	N/A	21.6%	R
Percent of classified employees who successfully complete the probationary period*	63%	64%	N/A	68%	R
Average classified service employee total compensation, in thousands*	$99.8	$108.1	N/A	$113.4	
Average classified employee compa-ratio*	0.987	1.008	N/A	1.022	
Program Rating	Y	Y			Y

*Measure is classified as explanatory and does not have a target.

The State Personnel Office (SPO) reports the average FY25 classified service vacancy rate remains higher than the rate in FY21, but this increase has been primarily caused by significant increases in the number of new positions created. At the end of FY25, there were 18,031 classified employees, with a vacancy rate of 20.9 percent, while in FY21 there were 16,583 classified employees and a vacancy rate of 19.9 percent. This increase, even while state agencies continue to bring on more employees, illustrates the need of many agencies to reevaluate existing positions on their current organization chart to ensure vacant positions align with agency hiring priorities.

While agencies have been successful at attracting candidates from outside state government, the state must work on retaining these new employees to lower vacancy rates. SPO reports agencies have made significant inroads in reducing the time it takes to fill a position, dropping from 72 days in the first quarter of FY23 to 63 days in the fourth quarter of FY25. SPO has prioritized working with agencies to reduce the time-to-fill metric.

Providing competitive compensation packages to state employees is key to improving recruitment and retention. On average, total compensation for state employees topped $113 thousand at the end of FY25, an increase of 6.4 percent from FY24 and 14.8 percent FY23. Based on information from the U.S. Bureau of Labor Statistics, recent increases have been higher than national benchmarks. However, many agency staff report a lack of competitive pay packages as a barrier to filling positions. Part of this perception is due to the relatively high share of total compensation in fringe benefits offered to state employees. State employees receive nearly 40 percent of their total compensation through benefits, compared with 30 percent for workers in the private sector, based on national data. This amount will increase in the future based on legislation passed during the 2025 legislative session that increased the state's share of health insurance premiums to a minimum of 80 percent of the total cost.

Taxation and Revenue Department

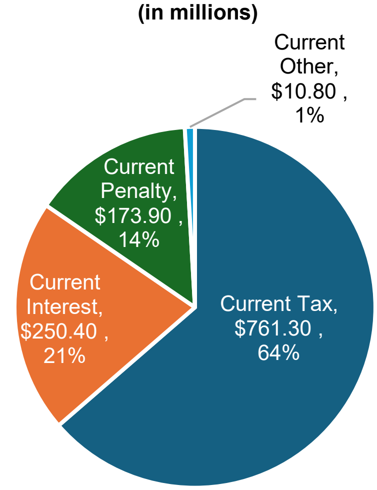
During FY25, the Taxation and Revenue Department (TRD) received over 1 million personal income tax returns for tax year 2024, and only 8,584 have had errors, which yields a 99 percent processing rate. The Audit and Compliance Division of the Tax Administration Program have a collectable balance of $1.2 billion and was able to collect one out of every five dollars for its FY25 collection goal. The beginning accounts receivable reductions are a result of amended returns, abatements, deactivations, bankruptcy, and reversals. The total FY25 reduction in the fiscal year beginning accounts receivable is $967.3 million or 50.6 percent, bringing the total balance to $943.6 million. The Motor Vehicle Division focused on improving customer communications related to insurance coverage lapses throughout FY25.

ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

Tax Administration

The Audit and Compliance Division (ACD) creates collection goals centered around return on investment (ROI) measures. For FY25, the division achieved a ROI of 15.59 and closed out the fiscal year with its lowest budget reversions in seven years. Of the $1.2 billion, ACD collected $252.1 million, or 21.1 percent, which is an improvement from FY25. The total FY25 reduction in the fiscal year beginning accounts receivable is $967.3 million, or 50.6 percent, bringing the balance to $943.6 million. Assessments are deemed uncollectible by statute if cases are in protest, bankruptcy, deactivated, or less than 91 days old. Fiscal year 2025 annual assessments totaled $179.4 million, of which nothing is less than 90 days old, $1.4 million is in protest, $135 thousand is in bankruptcies, and $17.4 million has been abated. This leaves a collectible balance of $160.7 million, of which $66.2 million has been collected. This results in a collection percentage of 41.2 percent, which is 7 percent less than what was collected in FY24.

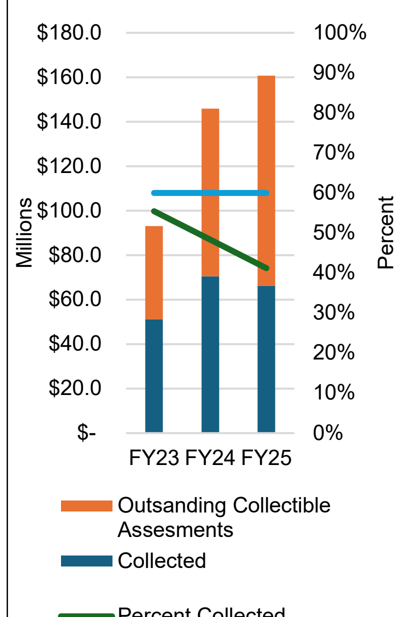
Outstanding Tax Amounts by Category $1.2 Billion in Total
(in millions)



Source: TRD

Budget: $28,463.8	**FTE: 340.66**	**FY23 Actual**	**FY24 Actual**	**FY25 Target**	**FY25 Actual**	**Rating**
Collections as a percent of collectible outstanding balances from the end of the prior fiscal year		15.8%	22.6%	20%	21.1%	G
Collections as a percent of collectible audit assessments generated in the current fiscal year		55.4%	48.3%	60%	41.2%	R
	Program Rating	R	Y			Y

Collections as a Percent of Collectible Audit Assessments

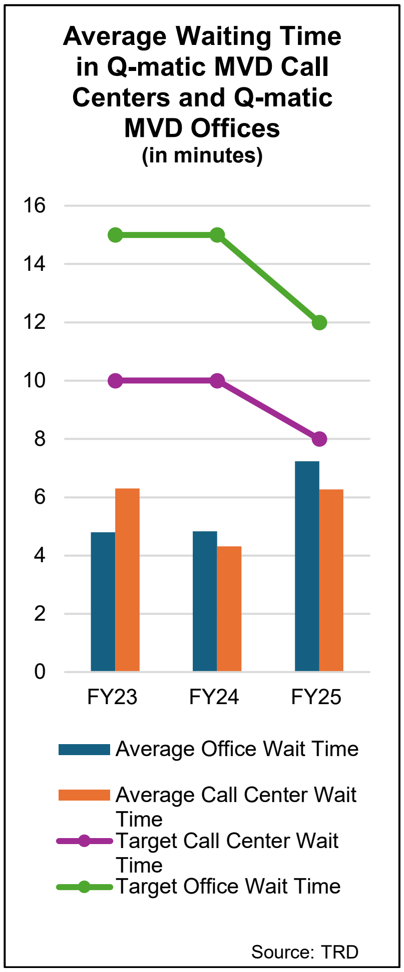


Source: TRD

Compliance Enforcement

The Internal Investigations Bureau (IIB) opened 153 cases and closed 117 with 45 cases pending for FY25. For FY25, the Tax Fraud Investigations Division (TFID) referred 16 cases to prosecutors and 54 were assigned throughout the year, which yielded a 30 percent cumulative total for the year. TFID also closed 10 cases for FY25. The division handed down five indictments and issued five criminal complaints for tax fraud and tax evasion. These 10 cases are awaiting trial, and TFID has successfully prosecuted two cases because of accepted plea agreements. TFID has seen more progress in district attorneys prosecuting white-collar investigations. During the next fiscal year, TRD leadership will be in the process of selecting a special prosecutor to assist in the prosecution of TFID criminal cases.

Budget: $2,097.1	FTE: 21	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Tax investigations referred to prosecutors as a percent of total investigations assigned during the year		10%	41%	30%	30%	G
Successful tax fraud prosecutions as a percent of total cases prosecuted		100%	100%	50%	100%	G
	Program Rating	R	Y			G



Motor Vehicle

In FY25, the Motor Vehicle Division (MVD) served over 1 million customers, more than the 850 thousand customers served in FY24. The division also started developing an online testing program that aims to decrease MVD office congestion and improve accessibility of MVD services for rural residents, and made mobile driver licenses available for all Apple, Google, and Samsung phones. MVD also updated its messaging across its website to improve clarity and ease of use for customers. MVD worked closely with its vendor to improve the percentage of registered vehicles with liability insurance. The division aims to improve customer awareness and encourage compliance by refining the content and clarity of notices sent to customers and emphasizing the serious consequences of driving uninsured.

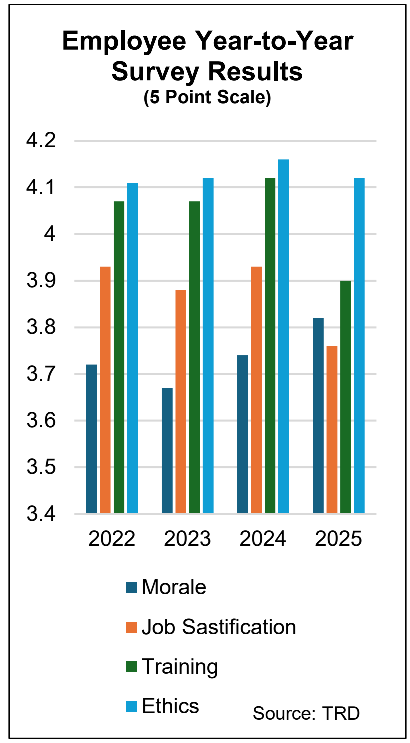
The MVD call center and office waiting times have increased in FY25 compared to FY24. The division highlighted that managing a new queueing system, vacant positions, and the surge of customers ahead of the REAL ID deadline were the primary factors driving this outcome. The new system has allowed improved customer satisfaction by providing clear expectations about waiting times and service processes, but MVD employees are still getting used to the new system. MVD highlighted that 11.5 thousand transactions were completed through MVD kiosks, which is more than the 4,442 transactions completed in FY24. Average waiting times in offices and call centers should return to FY24 actual results, when employees become more familiar with the new queuing system and as customers use of MVD kiosks increases.

Budget: $55,161.1	FTE: 332	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Registered vehicles with liability insurance		91.0%	90%	95%	90%	Y
Average waiting time in Q-matic equipped offices, in minutes		4:48	4:50	12:00	7:14	G
Average call center waiting time to reach an agent, in minutes		6:18	4:19	8:00	6:16	G
	Program Rating	G	Y			G

Property Tax

Improvements in the delinquent bureau collection and auction portals being delivered by the Property Tax Division's (PTD) vendor, Catalis, should allow the division to become paperless. PTD is expecting this transition will declutter offices and improve the division's organization and customer service. PTD had 36 delinquent auctions in FY25 and successfully reached the targets for both of its performance measures. The division does expect the fires and floodings in Lincoln County to postpone delinquent property auctions for the first quarter of FY26.

Budget: $6,491.4 **FTE:** 39	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Delinquent property tax collected and distributed to counties, in millions	$13.9	$10.8	$11.0	$11.7	G
Percent of total delinquent property taxes recovered	21.0%	17.0%	15.0%	15.2%	G
Program Rating	Y	Y			G



Program Support

For FY25, the Legal Services Bureau (LSB) resolved a total of 1,763 tax protest cases, which is above the end of year target of 1,738. LSB resolved 386 of 3,163 tax protest cases in the fourth quarter, which allowed the division to reach its annual target. The division can send protest cases to the Administrative Hearings Office (AHO) for specialized hearings and 21 cases were sent to AHO.

The Office of Internal Oversight (OIO) currently has three internal auditor positions vacant, which impacts the internal audit team's efforts to implement internal audit recommendations. However, OIO reached its yearly target of internal audits implemented with 20 internal audits, special projects, and procedures completed in FY25.

Budget: $12,047.2 **FTE:** 102	FY23 Actual	FY24 Actual	FY25 Target	FY25 Actual	Rating
Tax protest cases resolved	1,892	1,593	1,738	1,763	G
Internal audit recommendations implemented	90%	92%	90%	100%	G
Program Rating	Y	G			G

Information Technology Projects

State modernization, replacement, and other information technology (IT) projects continue to make progress, and several projects are slated to be completed in the coming year. However, some projects face schedule delays and cost overruns, and despite growing costs and implementation and oversight issues, the state continues to expand investments in IT. Oversight and management of the state's largest IT projects continue to be a challenge.

The status report for FY25 includes nine key projects and one program, including $121 million currently funded for the P25 Digital Public Safety Radio System at the Department of Information Technology (DoIT) and nearly $282 million for the statewide broadband program managed by the Office of Broadband Access and Expansion. Budget amounts reflect new funding appropriated for FY26. The report reviews three high-risk projects, three moderate-risk projects, and four low-risk projects. Major investments include state broadband ($282 million funded), the Health Care Authority's Medicaid management information system replacement project ($427.6 million funded), and the Children, Youth and Families Department's comprehensive child welfare system replacement project ($75.6 million funded).

Medicaid Management and Information System Replacement Project. The Health Care Authority (HCA) has been appropriated $427.6 million so far—including $384.2 million from federal partners—for its replacement of the existing Medicaid management system, supported by an average 90 percent federal funding match. The project—estimated to be completed in FY27—has seen substantial delays and cost overruns. Most recently, HCA submitted a new overall project totaling $832 million—an increase of $407 million, or 49.7 percent— of which $533 million is just in nonrecurring funds, posing substantial risk given the continued escalation of costs. However, after several vendor changes and delays, HCA has deployed its unified portal. The agency has deployment plans in place for its other modules, but additional cost increases continue to pose a substantial risk to the project.

Comprehensive Child Welfare Information System. CYFD is on its second attempt to replace its legacy Family Automated Client Tracking System (FACTS) with a new, federally compliant child welfare information system after the failure of the Enterprise Provider Information and Constituent Services (EPICS) project. CYFD does not know when the system will be functional; however, it will not close the project until 2027. CYFD estimates the project to cost $90 million—an increase of $54.4 million or 150 percent from the original project budget—posing risk. However, a simplified cost allocation should significantly improve budget and schedule risks.

Project Status Legend

G	Project is on track; scope, budget, schedule, and deliverables are being managed appropriately.
Y	Project has potential risk to scope, cost, schedule, or deliverables; independent verification and validation (IV&V) or LFC staff has identified one or more areas of concern needing improvement.
R	Significant issues limit success of the project; high risks to scope, cost, schedule, or deliverables identified; management attention and corrective action needed.

P25 Digital Public Safety Radio System Upgrade Project

OVERVIEW	
Project Phase	Implementation
Start Date	9/27/18
Est. End Date	6/30/24
Revised	6/30/27
Revised	6/30/30
Est. Total Cost	$150,000.0
Revised	$170,000.0
Revised	$190,000.0

Overall Status

The Department of Information Technology (DoIT) continues with deployment plans for its public safety radio project, with 38 confirmed agency subscribers, including school and local police, fire departments, and other various federal and state public safety agencies. DoIT reestimated the project to be completed by 2030, with a new estimated total project cost of $190 million, six years and $40 million beyond initial estimates.

Measure	FY23 Rating	FY24 Rating	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Rating
Budget	Y	Y	Y	Y	Y	Y
Schedule	G	G	Y	Y	Y	Y
Risk	Y	Y	Y	Y	Y	Y
Overall Rating	Y	Y	Y	Y	Y	Y

Budget

DoIT was appropriated $10 million in new capital outlay funding for the project during the 2024 legislative session, now available for use following voter approval of the general obligation bond. The department received an additional $20 million in severeance tax bonds from the 2025 legislative session. DoIT has been subsidizing costs for its agencies, including the use of a $2.8 million nonrecurring appropriation for radio subsidies for federal and local governments but reverted $633 thousand, or 22 percent, in FY25.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$101,164.3	$0.0	$121,164.3	$85,806.7	$35,357.6	70.8%

Schedule

The agency has 68 radio towers with full operability usage and is in active deployment for an additional 36 towers. Though capital projects tend to have longer timeframes, DoIT has revised the completion date for the project to end in 2030, in addition to a $40 million cost increase. Because the project is a multi-year, multi-phase project, funding availability and the potential for deployment delays will continue to play a role in DoIT's ability to maintain its current project schedule.

Risk

The large capital cost and long-term deployment schedule continue to pose some level of risk, which has been manageable as the agency continues to work on various expansion projects. There is potential for deployment delays due to ongoing supply chain disruptions. The P25 advisory committee continues meeting regularly.

Project Description

The P25 digital statewide public safety radio system project will upgrade and replace public safety radio equipment and systems with digital mobile communications for public safety organizations.

P25 Full Subscribers*
Los Lunas School Police
Office of Superintendent of Insurance
Doña Ana County (Fire and Sheriff)
Rio Rancho Police Department
State Parks
TRD Tax Fraud Investigations Division
City of Santa Fe
Doña Ana County Office of Emerg. Management
BNSF Railroad Police
Peralta
Belen
Valencia County Fire
Department of Transportation
Eddy County (in deployment)
New Mexico District Attorney's Office
Attorney General's Office
Corrections Department
Children, Youth and Families Department
Rio Rancho (in deployment)
Sandoval County (in deployment)
Los Lunas
Tijeras Fire Dept.
U.S. Marshal Service
Bernalillo County
U.S. Bureau of Alcohol, Tobacco and Firearms
New Mexico State University
Albuquerque
Spaceport America
State Police

*Does not include nine interoperability partner organizations

Source: DoIT

OVERVIEW	
Project Phase	Planning
Start Date	7/1/21
Est. End Date ***Revised***	Ongoing
Est. Total Cost ***Revised***	TBD

Project Description

The Statewide Broadband Program will support the implementation and expansion of broadband statewide, including uses of funds from the Connect New Mexico fund.

Statewide Broadband Program

Overall Status

The Office of Broadband Access and Expansion (OBAE) released its updated three-year statewide broadband plan in January 2025 and has opened its applications for the $675 million federal Broadband Equity, Access and Deployment (BEAD) grant program, with 29 entities eligible to apply. OBAE received 66 applications from 18 entities for BEAD funding.

Measure	FY23 Rating	FY24 Rating	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Rating
Budget	Y	R	R	R	R	R
Schedule	Y	Y	Y	Y	Y	Y
Risk	Y	Y	Y	Y	Y	Y
Overall Rating	Y	Y	Y	Y	Y	Y

Budget

OBAE reverted $25 million of state funds at the end of FY25 because the Legislature did not extend the use of funding. OBAE received official notice from the National Telecommunications and Information Administration of federal cuts for the state's digital equity program, a loss of $8.6 million. The office preliminarily awarded $432 million of its $675 million federal Broadband Equity, Access, and Deployment dollars to 17 entities for 32 infrastructure projects, including satellite

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding[1]	Spent to Date[1]	Balance	Percent of Appropriations Spent
$151,388.7	$130,307.3	$281,696.0	$31,015.9	$250,680.1	11%

[1] State funding includes Connect New Mexico, capital outlay, and other DoIT funds. Federal funding includes $123 million from ARPA funds, $1.5 million in CARES Act funding, $5 million from the BEAD planning grant, and $745 thousand from Digital Equity grants. 1 Spent to date amounts do not include encumbrances.

Schedule

While OBAE has been making progress on awarding Connect New Mexico fund dollars and federal BEAD dollars, state and federal deadlines pose a risk to the office. OBAE must submit its finalized awardees for BEAD for federal approval by late July 2025, which may pose a further delay in spending and awarding other available funds.

Risk

OBAE is experiencing leadership changes, posing an overall risk. Recent legislation transferred the statewide education network (SEN) to OBAE, which the office outlines in its most recent three-year broadband plan as essential to connectivity success in the state. However, OBAE must address challenges with the SEN, such as a lack of technical experience at schools and onboarding schools to the voluntary program, to make the transfer successful and worthwhile in obtaining middle-mile infrastructure in the state.

Child Support Enforcement System Modernization Project

OVERVIEW	
Project Phase	Initiation
Start Date	12/18/13
Est. End Date	6/30/19
Revised	6/28/27
Revised	10/30/29
Est. Total Cost	$65,581.9
Revised	$76,700.0
Revised	$109,161.0

Overall Status

The Health Care Authority (HCA) is modernizing its more than 20-year-old child support enforcement system (CSES). The decade-old project originally started as a full system replacement, but per recent federal guidance, HCA is moving toward a whole system modernization instead. HCA is using previous work for the replacement to move forward with its new modernization efforts.

Measure	FY23 Rating	FY24 Rating	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Rating
Budget	R	R	R	R	R	R
Schedule	R	R	R	R	R	R
Risk	R	R	R	R	R	R
Overall Rating	R	R	R	R	R	R

Project Description

The child support enforcement system replacement project (CSESR) will replace the more than 20-year-old child support enforcement system with a flexible, user-friendly solution to enhance the department's ability to comply with and meet federal performance measures.

Budget

The project continues to cite a total estimated cost of $109 million, up from $76 million, resulting from expanding the project timeline. As the agency moves towards modernization, the total estimated cost could change. The General Appropriation Act of 2025 supports the reauthorization of $15 million from previous appropriations.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$13,418.6	$19,448.0	$32,866.6	$17,904.6	$14,962.0	54.4%

Schedule

The project is now expected to close out in 2029, 16 years after the project start date. The federal Office of Child Support Services recommended the agency modernize the legacy system as opposed to replacing it, which should realize benefits sooner. HCA started a phased approach to its modernization in July 2025. Meanwhile, the agency is working on developing a scope of work for its vendors for independent verification and validation, and design, development, and implementation.

Risk

Prior changes to the schedule and the increased budget have created risks to the project. Due to federal guidance to modernize, scope changes, and integrating previously collected data pose the biggest risks to the project at this time.

OVERVIEW	
Project Phase	Implementation
Start Date	12/18/13
Est. End Date	12/30/21
Revised	8/31/26
Revised	1/14/27
Est. Total Cost	$221,167.8
Revised	$346,319.8
Revised	$389,758.7
Revised	$418,317.6
Revised	$533,804.4

Project Description

The Medicaid management system replacement project will replace the current Medicaid management information system (MMIS) and supporting applications, including the Medicaid information technology architecture, to align with federal Centers for Medicare and Medicaid Services (CMS) requirements.

Medicaid Management Information System Replacement Project

Overall Status

The Health Care Authority (HCA) experienced several substantial delays and increases in the project budget. The HCA has gone live with its benefit management services in FY25, allowing provider enrollment of Medicaid and other providers into the agency's new system.

Measure	FY23 Rating	FY24 Rating	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Rating
Budget	Y	Y	Y	Y	Y	Y
Schedule	R	R	R	Y	Y	Y
Risk	R	R	R	R	R	R
Overall Rating	R	R	R	Y	Y	Y

Budget

HCA has certified all funding through the Project Certification Committee as of May 2025, bringing the total amount available for the project to $427.6 million. The overall project is now expected to cost $533.8 million just in nonrecurring costs alone. HCA received $5 million in general funds, with a federal match of $45 million for FY26 to continue the project.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$42,757.6	$384,214.9	$427,648.0	$335,535.8	$92,112.2	78.5%

Schedule

The agency is preparing for federal certification for certain modules. The consolidated customer service center, which went live in 2020, will be implementing an enhancement that will integrate different generative artificial intelligence for managing chatbot FAQs and handling outbound calls. The agency reports schedule delays for its claims modules, to be pushed out by early 2026.

Risk

Additions to the scope, cost increases, and delays are the biggest risk to the project. While the HCA has made significant project process, the LFC has heard complaints from Medicaid providers of difficulty enrolling in the new Medicaid system. The HCA is aware of these issues and is working with its vendor for a corrective action plan. Additional cost increases and additions to the scope pose a substantial risk to the project.

New Mexico Impact Project

Overall Status

The Children, Youth and Families Department (CYFD) is on track to close the comprehensive child welfare information system (CCWIS) replacement project by November 2027; however, there is no current date set for system functionality. Risk remains moderate given prior delays and leadership changes.

Measure	FY23 Rating	FY24 Rating	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Rating
Budget	R	Y	Y	Y	Y	Y
Schedule	R	Y	Y	Y	Y	R
Risk	Y	Y	Y	Y	Y	Y
Overall Rating	Y	Y	Y	Y	Y	Y

Budget

The total project budget is $90.4 million, an increase of $60.4 million from initial cost estimates. CYFD certified $9 million at the Project Certification Committee in May 2025, bringing the total available funding to $75.6 million. The new certified funding will go to the agency's contracts for its vendors for independent verification and validation, project management, and design, development, and implementation. The department requested an additional $6 million appropriation for the project for FY27.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding*	Spent to Date	Balance	Percent of Appropriations Spent
$38,363.5	$37,328.4	$75,691.9	$49,756.6	$25,935.3	65.7%

*$9.3 million in prior historical funds are expended, expired, or inactive, $8.8 million from Medicaid revenue from the HCA.

Schedule

The New Mexico Impact Project team previously stated that system utilization was to occur in February 2026, but has since revised the schedule with no designated go-live date, moving the schedule to red. LFC staff received a system demonstration by the developmental vendor RedMane in September 2025, with additional demonstrations scheduled to follow as the project progresses. The New Mexico Impact Project team and LFC staff continue to meet monthly.

Risk

The project management office continues conducting weekly risk reviews to mitigate the risks to the project. However, schedule and organizational readiness are the project's biggest risks. Although CYFD experienced recent leadership changes, this is not anticipated to pose risk to the project. While CYFD does not cite concern, federal review process changes may pose a future risk to the project.

OVERVIEW

Project Phase	Implementation
Start Date	9/1/17
Est. End Date	10/31/22
Revised	6/30/25
Revised	11/05/27
Est. Total Cost	$36,000.0
Revised	$71,068.0
Revised	$71,133.9
Revised	$82,000.0
Revised	$90,410.2

Project Description

The comprehensive child welfare information system (CCWIS) replacement project—also known as the New Mexico Impact Project—will replace the legacy Family Automated Client Tracking System (FACTS) with a modular, integrated system to meet federal Administration on Children and Families requirements.

The simplified cost allocation approved by federal partners designates 39.55 percent of total project costs as shared Medicaid costs, eligible for a 90 percent federal match, while the remaining 60.45 percent of costs qualify for a 50 percent federal match from the federal Administration on Children and Families.

OVERVIEW	
Project Phase	Implementation
Start Date	7/1/21
Est. End Date	6/30/24
Revised	9/30/24
Revised	5/31/25
Revised	6/30/26
Est. Total Cos	$6,738.0
Revised	$8,663.0

Project Description

The electronic health records (eHR) project will replace the existing paper healthcare record system at the Correction's Department to allow systems to integrate and exchange patient information among providers and improve continuity of care for New Mexico's roughly 5,700 inmates.

Electronic Health Records Project

Overall Status

The Corrections Department (NMCD) has been certified for the implementation phase of the electronic health records (eHR) project in August 2023. The agency is expecting a new close-out date of June 2026. However, the biggest risk to the project is the interface with the department's offender management system.

Measure	FY23 Rating	FY24 Rating	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Rating
Budget	G	G	G	G	G	G
Schedule	G	G	G	G	G	Y
Risk	G	Y	Y	G	G	G
Overall Rating	G	G	G	G	G	G

Budget

During the FY21 funding cycle, NMCD was appropriated $500 thousand to initiate planning and an additional $6.2 million to continue the project in FY22. The agency reauthorized this appropriation balance for FY25, and is close to expending its authorized balances.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$8,663.0	$0.0	$8,663.0	$7,979.6	$683.3	92.1%

Schedule

The project end date changed from June 2024 to May 2025 to now June 2026, resulting in the change of schedule to yellow. NMCD states its women's and men's facilities are currently operating with the eHR project as of September 2024. Additional interface for men's facilities are planned for spring 2025.

Risk

The primary risk to the project is the ability to interface with the agency's offender management system and the health information exchange. NMCD has not yet fully transitioned from its legacy system or integrated full functionality into its new offender management network information system, crucial for the success of the eHR project. According to NMCD, data integration for the offender management system is expected to be completed by June 2025, aligning with the estimated eHR project completion date, with the department's legacy system set to be sunset shortly thereafter.

Intelligence-Led Policing

Overall Status

The Department of Public Safety (DPS) is contracting with the New Mexico Institute of Mining and Technology Institute for Complex Additive Systems Analysis, Amazon Web Services, and Peregrine, through Carahsoft, for its intelligence-led policing project. DPS reports the two-phased project will finish by June 2027, with a new total cost estimate of $16.1 million.

Measure	FY23 Rating	FY24 Rating	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Rating
Budget	G	G	Y	Y	Y	Y
Schedule	Y	Y	Y	Y	Y	Y
Risk	G	G	G	G	Y	Y
Overall Rating	G	G	Y	Y	Y	Y

Budget

The agency has certified $5 million, almost all of its appropriations for phase one of the project. With an updated nonrecurring budget at $16 million, DPS expects a recurring cost of $4.7 million a year starting in FY28 to maintain the system. DPS certified $4.5 million at the Project Certification Committee in May 2025. The department requested an additional $5.2 million for FY27.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$9,585.0	$0.0	$9,585.0	$5,234.5	$4,350.5	54.6%

Schedule

Phase one was expected to be completed by June 2025, with the second phase to follow. As of September 2025, phase one was not complete, but the department was preparing to transition to the next phase. DPS reports plans to split phase two into phase two (a) and phase two (b), despite the project initially starting as one whole phase. With a two-phased approach, the project schedule could be revised. DPS reports that 17 law enforcement agencies (LEAs) were supposed to be onboarded by the end of FY25, with 15 more LEAs to follow in phase two (a).

Risk

The agency continues to address data governance concerns with partner organizations. The agency is planning a proof of concept prior to implementing the system statewide, which should improve risk and allow for additional testing and training internally prior to moving into phase two. The biggest risks posed to the project are different data integration solutions and data governance.

OVERVIEW

Project Phase	Implementation
Start Date	4/8/22
Est. End Date	6/30/23
Revised	6/30/25
Revised	6/30/27
Est. Total Cost	$6,210.0
Revised	$9,300.0
Revised	$16,119.8

Project Description

The intelligence-led policing project will integrate collected data from several existing systems into a central repository that will leverage data analytics, artificial intelligence, and data visualization for more efficient and more comprehensive investigations and policing efforts.

Law Enforcement Agencies Onboarding by June 30, 2025

New Mexico State Police
Eddy County Sheriff's Office
Bernalillo County Sheriff's Office
Albuquerque Police Department
Dona Ana County Sheriff's Office
Santa Fe County Sheriff's Office
Las Cruces Police Department
San Juan County Sheriff's Office
Rio Rancho Police Department
Santa Fe Police Department
Otero County Sheriff's Office
Chaves County Sheriff's Office
Roswell Police Department
Farmington Police Department
Hobbs Police Department
Alamogordo Police Department
Espanola Police Department

New Mexico Longitudinal Data System

OVERVIEW	
Project Phase	Implementation (Phase 1)
Start Date	8/27/20
Est. End Date	6/30/24
Revised (Phase Two)	9/20/26
Est. Total Cost	$9,930.0
Revised	$14,100.0
Revised	$16,400.0

Project Description

The New Mexico longitudinal data system project will comprehensively aggregate and match New Mexico's education and workforce data into a single cloud data platform. Partner agencies include the Early Childhood Education and Care Department, the Public Education Department, the Department of Workforce Solutions, and the Division of Vocational Rehabilitation.

Phase One will focus on development of infrastructure and foundational policies and establishing shared collection of data sources for integration into RISE NM.

Phase Two will expand RISE NM through system enhancements, additional data sources, increased access, and expanded research questions through a public-facing portal.

Phase Three will further expand the number of data source systems and research questions available through RISE NM.

Overall Status

The Higher Education Department (HED) is citing a new budget and schedule changes to accommodate the other project phases, posing risk. Phase two was scheduled to start in August 2024; however, project delays have caused the project to be stagnant. HED is splitting phase two into phase two (a) and phase two (b).

Measure	FY23 Rating	FY24 Rating	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Rating
Budget	R	R	R	R	R	R
Schedule	R	R	R	R	R	R
Risk	Y	R	R	R	R	R
Overall Rating	R	R	R	R	R	R

Budget

HED is now citing total project costs of $16 million, posing an increased risk. The agency has certified a total of $11.9 million through the Project Certification Committee but has been appropriated $16.4 million across state and federal funding, which should cover the project's revised estimated cost should there be no new scope changes or project delays.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$10,679.2	$5,755.6	$16,434.8	$8,911.4	$7,523.4	54.2%

Schedule

HED has executed several contracts for phase two, such as for independent verification and validation (IV&V), despite not having completed phase one. HED has not had an IV&V vendor for the project since September 2023, posing overall project risk due to the lack of third-party accountability. The agency has not started implementation work for its second phase, as it is still commencing planning work, and has split phase two into phase two (a) and phase two (b).

Risk

Currently, there is no vendor in place for phase two of the project for the project's implementation, posing some risk for the project overall. The biggest risks to the project are schedule and data quality.

Permitting and Inspection Software Modernization Project

Overall Status

The Regulation and Licensing Department (RLD) completed phase three by June 30, 2024, with all 28 boards and commissions live in Salesforce. Phase four, which includes the Alcohol and Beverage Control Division, also went live on June 30, 2024. Both phases were accepted by RLD leadership, and vendor invoices were paid. RLD is now proceeding with procurement for phase five.

Measure	FY23 Rating	FY24 Rating	FY25 Q1	FY25 Q2	FY25 Q3	FY25 Rating
Budget	Y	G	G	G	G	Y
Schedule	Y	G	G	Y	Y	Y
Risk	Y	G	G	G	G	Y
Overall Rating	Y	G	G	G	G	Y

Budget

RLD certified $586 thousand in February 2025 for phase five of the project, bringing the total available amount of funding to $17.1 million. However, in September 2025, the department decreased its project budget by $2.7 million due to a depleted fund balance in its mortgage regulatory fund.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$17,160.3	$0.0	$17,160.3	$18,879.4	$586.1	96.5%

Schedule

RLD closed-out phase four in February 2025 and is in the procurement process for phase five for its Finance Industries Division. The department expects contracts to be finalized by April 2025. However, phase five's scope of work does not have current due dates given the stage of procuring contracts, and the project's schedule is rated yellow for the second quarter of the fiscal year, with opportunity to change as RLD finalizes and executes contracts and deliverables for phase five.

Risk

All project risks have been closed in coordination with RLD leadership for phase four. The adjusting of scope while onboarding a new contractor poses some risk to the project, as well as decreasing the project's budget due to depleted funds.

OVERVIEW

Project Phase	Implementation
Start Date	5/23/18
Est. End Date	9/30/23
Revised	6/30/24
Revised (Phase Five)	6/30/26
Est. Total Cost	$7,297.0 (BCD Phase)
Revised	$9,418.6 (BCD and ABC Phases)

Project Description

The permitting and inspection software modernization project will modernize and replace the agency's existing legacy permitting and inspection software, Accela.

Tables

Table 1: General Fund Agency Recommendation Summary

HB 2 - FY27 General Fund Appropriations Summary by Agency (In thousands)

		AGENCY	FY26 General Fund Adj. OpBud	FY27 Total General Fund Request	FY27 Total General Fund Growth	FY27 General Fund Increase %	FY27 LFC Rec	FY27 LFC Rec Over/(Under) FY26 OpBud	FY27 LFC Rec Increase %
1									
2	FEED BILL:								
3	11100	Legislative Council Service	$ 12,490.3	$ 12,805.1	$ 314.8	2.5%	$ 12,805.1	$ 314.8	2.5%
4	11200	Legislative Finance Committee	$ 7,685.0	$ 7,951.3	$ 266.3	3.5%	$ 7,951.3	$ 266.3	3.5%
5	11400	Senate Chief Clerk	$ 3,495.5	$ 3,551.0	$ 55.5	1.6%	$ 3,551.0	$ 55.5	1.6%
6	11500	House Chief Clerk	$ 3,763.9	$ 3,802.9	$ 39.0	1.0%	$ 3,802.9	$ 39.0	1.0%
7	11700	Legislative Education Study Committee	$ 1,995.9	$ 2,024.3	$ 28.4	1.4%	$ 2,024.3	$ 28.4	1.4%
8	11900	Legislative Building Services	$ -		$ -	-	.		-
9	13100	Legislature	$ 4,864.3	$ 4,966.7	$ 102.4	2.1%	$ 4,966.7	$ 102.4	2.1%
10	13100	Legislature Staffing* $6m was in GAA last year	$ 14,000.0	$ 14,000.0	$ -	0.0%	$ 14,000.0	$ -	0.0%
11	**LEGISLATIVE:**		**$ 48,294.9**	**$ 49,101.3**	**$ 806.4**	**2%**	**$ 49,101.3**	**$ 806.4**	**1.7%**
12			$ -						
13	GENERAL APPROPRIATIONS ACT:		$ -						
14	11100	Legislative Council Service	$ -		$ -	-		$ -	-
15	11100	Energy Council Dues	$ -		$ -	-		$ -	-
16	11200	Legislative Finance Committee	$ -		$ -	-		$ -	-
17	11400	Senate Chief Clerk	$ -		$ -	-		$ -	-
18	11500	House Chief Clerk	$ -		$ -	-		$ -	-
19	11700	Legislative Education Study Committee	$ -		$ -	-		$ -	-
20	11900	Legislative Building Services	$ 6,161.0	$ 6,559.4	$ 398.4	6.5%	$ 6,559.4	$ 398.4	6.5%
21									
22									
23	**LEGISLATIVE:**		**$ 6,161.0**	**$ 6,559.4**	**$ 398.4**	**$ 0.1**	**$ 6,559.4**	**$ 398.4**	**6.5%**
24			$ -						
25	20800	New Mexico Compilation Commission	$ 500.2	$ 500.2	$ -	0.0%	$ 500.2	$ -	0.0%
26	21000	Judicial Standards Commission	$ 1,201.1	$ 1,558.4	$ 357.3	29.7%	$ 1,296.4	$ 95.3	7.9%
27	21500	Court of Appeals	$ 10,477.6	$ 11,718.2	$ 1,240.6	11.8%	$ 10,913.2	$ 435.6	4.2%
28	21600	Supreme Court	$ 9,970.3	$ 11,333.8	$ 1,363.5	13.7%	$ 10,339.8	$ 369.5	3.7%
29	21800	Administrative Office of the Courts	$ 60,211.4	$ 67,016.1	$ 6,804.7	11.3%	$ 63,212.1	$ 3,000.7	5.0%
30	23100	First Judicial District Court	$ 14,661.7	$ 15,777.4	$ 1,115.7	7.6%	$ 14,838.5	$ 176.8	1.2%
31	23200	Second Judicial District Court	$ 38,184.3	$ 42,020.2	$ 3,835.9	10.0%	$ 39,622.2	$ 1,437.9	3.8%
32	23300	Third Judicial District Court	$ 15,116.0	$ 16,375.1	$ 1,259.1	8.3%	$ 15,415.1	$ 299.1	2.0%
33	23400	Fourth Judicial District Court	$ 6,252.6	$ 6,545.5	$ 292.9	4.7%	$ 6,477.5	$ 224.9	3.6%
34	23500	Fifth Judicial District Court	$ 15,707.2	$ 16,564.2	$ 857.0	5.5%	$ 16,063.6	$ 356.4	2.3%
35	23600	Sixth Judicial District Court	$ 8,223.7	$ 8,623.6	$ 399.9	4.9%	$ 8,329.7	$ 106.0	1.3%
36	23700	Seventh Judicial District Court	$ 5,553.4	$ 5,868.2	$ 314.8	5.7%	$ 5,553.4	$ -	0.0%
37	23800	Eighth Judicial District Court	$ 7,173.3	$ 7,628.6	$ 455.3	6.3%	$ 7,287.8	$ 114.5	1.6%
38	23900	Ninth Judicial District Court	$ 7,807.5	$ 8,404.5	$ 597.0	7.6%	$ 7,967.0	$ 159.5	2.0%
39	24000	Tenth Judicial District Court	$ 2,660.5	$ 2,760.1	$ 99.6	3.7%	$ 2,744.2	$ 83.7	3.1%
40	24100	Eleventh Judicial District Court	$ 15,247.8	$ 16,399.4	$ 1,151.6	7.6%	$ 15,247.8	$ -	0.0%
41	24200	Twelfth Judicial District Court	$ 7,822.0	$ 8,272.3	$ 450.3	5.8%	$ 7,927.0	$ 105.0	1.3%
42	24300	Thirteenth Judicial District Court	$ 15,958.6	$ 16,619.2	$ 660.6	4.1%	$ 16,339.2	$ 380.6	2.4%
43	24400	Bernalillo County Metropolitan Court	$ 33,190.5	$ 34,975.5	$ 1,785.0	5.4%	$ 33,992.0	$ 801.5	2.4%
44	25100	First Judicial District Attorney	$ 9,392.1	$ 11,990.2	$ 2,598.1	27.7%	$ 9,689.5	$ 297.4	3.2%
45	25200	Second Judicial District Attorney	$ 36,967.2	$ 42,541.2	$ 5,574.0	15.1%	$ 37,566.2	$ 599.0	1.6%
46	25300	Third Judicial District Attorney	$ 7,936.2	$ 9,091.1	$ 1,154.9	14.6%	$ 8,109.6	$ 173.4	2.2%
47	25400	Fourth Judicial District Attorney	$ 5,041.1	$ 5,503.1	$ 462.0	9.2%	$ 5,145.1	$ 104.0	2.1%
48	25500	Fifth Judicial District Attorney	$ 8,685.9	$ 10,785.5	$ 2,099.6	24.2%	$ 8,966.0	$ 280.1	3.2%
49	25600	Sixth Judicial District Attorney	$ 4,640.7	$ 5,870.4	$ 1,229.7	26.5%	$ 4,801.9	$ 161.2	3.5%
50	25700	Seventh Judicial District Attorney	$ 4,068.2	$ 4,346.1	$ 277.9	6.8%	$ 4,186.8	$ 118.6	2.9%
51	25800	Eighth Judicial District Attorney	$ 4,955.3	$ 6,164.6	$ 1,209.3	24.4%	$ 5,086.7	$ 131.4	2.7%
52	25900	Ninth Judicial District Attorney	$ 4,948.3	$ 5,523.9	$ 575.6	11.6%	$ 5,084.4	$ 136.1	2.8%
53	26000	Tenth Judicial District Attorney	$ 2,307.3	$ 2,589.5	$ 282.2	12.2%	$ 2,399.7	$ 92.4	4.0%
54	26100	Eleventh Judicial District Attorney, Div I	$ 11,769.7	$ 9,789.8	$ (1,979.9)	-16.8%	$ 12,198.6	$ 428.9	3.6%
55	26200	Twelfth Judicial District Attorney	$ 5,527.3	$ 6,177.0	$ 649.7	11.8%	$ 5,657.3	$ 130.0	2.4%
56	26300	Thirteenth Judicial District Attorney	$ 9,483.6	$ 10,501.6	$ 1,018.0	10.7%	$ 9,753.6	$ 270.0	2.8%
57	26400	Administrative Office of the District Attorneys	$ 3,695.5	$ 7,393.1	$ 3,697.6	100.1%	$ 3,895.8	$ 200.3	5.4%
58	26500	Eleventh Judicial District Attorney, Division II	$ 283.0	$ 4,261.4	$ 3,978.4	1405.8%	$ 283.0	$ -	0.0%
59	28000	New Mexico Public Defender Department	$ 82,110.0	$ 90,627.2	$ 8,517.2	10.4%	$ 84,573.3	$ 2,463.3	3.0%
60			$ -						
61	**JUDICIAL:**		**$ 477,731.1**	**$ 532,116.2**	**$ 54,385.1**	**11.4%**	**$ 491,464.2**	**$ 13,733.1**	**2.9%**
62			$ -						
63	30500	Attorney General	$ 17,586.8	$ 17,027.0	$ (559.8)	-3.2%	$ 17,027.0	$ (559.8)	-3.2%
64	30800	State Auditor	$ 4,449.6	$ 5,815.9	$ 1,366.3	30.7%	$ 4,694.9	$ 245.3	5.5%
65	33300	Taxation and Revenue Department	$ 89,105.7	$ 93,969.9	$ 4,864.2	5.5%	$ 91,511.1	$ 2,405.4	2.7%
66	33700	State Investment Council	$ -	$ -	$ -	-		$ -	-
67	34000	Administrative Hearings Office	$ 2,710.5	$ 2,994.4	$ 283.9	10.5%	$ 2,805.6	$ 95.1	3.5%
68	34100	Department of Finance and Administration	$ 26,004.2	$ 27,117.6	$ 1,113.4	4.3%	$ 26,991.9	$ 987.7	3.8%
69	34200	Public School Insurance Authority	$ -	$ -	$ -	-		$ -	-
70	34300	Retiree Health Care Authority	$ -	$ -	$ -	-		$ -	-
71	34400	DFA Special Appropriations	$ 13,281.9	$ 13,281.9	$ -	0.0%	$ 15,342.1	$ 2,060.2	15.5%
72	35000	General Services Department	$ 22,838.9	$ 23,757.8	$ 918.9	4.0%	$ 23,547.5	$ 708.6	3.1%
73	35200	Educational Retirement Board	$ -	$ -	$ -	-		$ -	-
74	35400	New Mexico Sentencing Commission	$ 1,514.3	$ 1,958.3	$ 444.0	29.3%	$ 1,514.3	$ -	0.0%
75	35600	Governor	$ 7,020.4	$ 7,559.9	$ 539.5	7.7%	$ 7,135.9	$ 115.5	1.6%
76	36000	Lieutenant Governor	$ 864.8	$ 933.0	$ 68.2	7.9%	$ 891.3	$ 26.5	3.1%
77	36100	Department of Information Technology	$ 10,193.7	$ 16,865.4	$ 6,671.7	65.4%	$ 10,373.8	$ 180.1	1.8%
78	36200	Office of Broadband Access and Expansion	$ -	$ -	$ -	-		$ -	-
79	36600	Public Employees Retirement Association	$ 163.4	$ 70.0	$ (93.4)	-57.2%	$ 59.2	$ (104.2)	-63.8%
80	36900	State Commission of Public Records	$ 3,368.4	$ 3,502.5	$ 134.1	4.0%	$ 3,502.5	$ 134.1	4.0%
81	37000	Secretary of State	$ 9,575.7	$ 15,006.8	$ 5,431.1	56.7%	$ 9,856.3	$ 280.6	2.9%
82	37800	Personnel Board	$ 4,744.2	$ 5,174.8	$ 430.6	9.1%	$ 4,952.6	$ 208.4	4.4%
83	37900	Public Employee Labor Relations Board	$ 324.8	$ 324.8	$ -	0.0%	$ 324.8	$ -	0.0%
84	39400	State Treasurer	$ 4,854.2	$ 6,971.7	$ 2,117.5	43.6%	$ 4,854.2	$ -	0.0%
85			$ -						
86	**GENERAL CONTROL**		**$ 218,601.5**	**$ 242,331.7**	**$ 23,730.2**	**10.9%**	**$ 225,385.0**	**$ 6,783.5**	**3.1%**

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

HB 2 - FY27 General Fund Appropriations Summary by Agency (In thousands)

		AGENCY	FY26 General Fund Adj. OpBud	FY27 Total General Fund Request	FY27 Total General Fund Growth	FY27 General Fund Increase %	FY27 LFC Rec	FY27 LFC Rec Over/(Under) FY26 OpBud	FY27 LFC Rec Increase %
87			$ -						
88	40400	Board of Examiners for Architects	$ -		$ -	-		$ -	-
89	41000	Ethics Commission	$ 1,867.2	$ 2,044.7	$ 177.5	9.5%	$ 1,903.1	$ 35.9	1.9%
90	41700	Border Authority	$ 555.7	$ 575.8	$ 20.1	3.6%	$ 572.7	$ 17.0	3.1%
91	41800	Tourism Department	$ 26,235.3	$ 26,529.9	$ 294.6	1.1%	$ 26,529.9	$ 294.6	1.1%
92	41900	Economic Development Department	$ 28,300.1	$ 28,840.8	$ 540.7	1.9%	$ 28,840.8	$ 540.7	1.9%
93	42000	Regulation and Licensing Department	$ 20,981.7	$ 31,969.1	$ 10,987.4	52.4%	$ 22,118.2	$ 1,136.5	5.4%
94	43000	Public Regulation Commission	$ 15,887.3	$ 16,698.1	$ 810.8	5.1%	$ 16,426.5	$ 539.2	3.4%
95	44000	Office Superintendent of Insurance	$ -		$ -	-	$ -	$ -	-
96	44600	Medical Board	$ -		$ -	-	$ -	$ -	-
97	44900	Board of Nursing	$ -		$ -	-	$ -	$ -	-
98	46000	New Mexico State Fair	$ 375.0	$ 375.0	$ -	0.0%	$ 375.0	$ -	0.0%
99	46400	State Brd of Lic for Engin & Land Surveyors	$ -		$ -	-	$ -	$ -	-
100	46500	Gaming Control Board	$ 7,636.0	$ 8,772.3	$ 1,136.3	14.9%	$ 7,995.3	$ 359.3	4.7%
101	46900	State Racing Commission	$ 3,417.1	$ 3,764.7	$ 347.6	10.2%	$ 3,648.5	$ 231.4	6.8%
102	47900	Board of Veterinary Medicine	$ -		$ -	-	$ -	$ -	-
103	49000	Cumbres and Toltec Scenic Railroad Comm	$ 394.0	$ 413.7	$ 19.7	5.0%	$ 394.0	$ -	0.0%
104	49100	Office of Military Base Planning and Support	$ 415.0	$ 417.2	$ 2.2	0.5%	$ 415.0	$ -	0.0%
105	49500	Spaceport Authority	$ 4,279.8	$ 5,403.1	$ 1,123.3	26.2%	$ 4,368.5	$ 88.7	2.1%
106			$ -						
107	**COMMERCE & INDUSTRY**		**$ 110,344.2**	**$ 125,804.4**	**$ 15,460.2**	**14%**	**$ 113,587.5**	**$ 3,243.3**	**2.9%**
108			$ -						
109	50500	Cultural Affairs Department	$ 47,712.6	$ 49,684.4	$ 1,971.8	4.1%	$ 49,625.5	$ 1,912.9	4.0%
110	50800	New Mexico Livestock Board	$ 6,282.6	$ 8,710.8	$ 2,428.2	38.6%	$ 6,439.1	$ 156.5	2.5%
111	51600	Department of Game and Fish	$ -	$ -	$ -	-	$ -	$ -	-
112	52100	Energy, Minerals and Natural Resources Depart.	$ 44,956.9	$ 49,331.6	$ 4,374.7	9.7%	$ 47,048.7	$ 2,091.8	4.7%
113	52200	Youth Conservation Corps	$ -	$ -	$ -	-	$ -	$ -	-
114	53900	Commissioner of Public Lands	$ -	$ -	$ -	-	$ -	$ -	-
115	55000	State Engineer	$ 38,441.4	$ 40,776.1	$ 2,334.7	6.1%	$ 39,614.0	$ 1,172.6	3.1%
116			$ -						
117	**AGRICULTURE, ENERGY, & NATURAL RESOURCES:**		**$ 137,393.5**	**$ 148,502.9**	**$ 11,109.4**	**8.1%**	**$ 142,727.3**	**$ 5,333.8**	**3.9%**
118			$ -						
119	60100	Commission on the Status of Women	$ 429.0	$ 547.9	$ 118.9	27.7%	$ 429.0	$ -	0.0%
120	60300	Office of African American Affairs	$ 1,339.4	$ 1,339.4	$ -	0.0%	$ 1,374.6	$ 35.2	2.6%
121	60400	Comm for Deaf and Hard-of-Hearing Persons	$ 1,996.1	$ 2,081.2	$ 85.1	4.3%	$ 1,996.1	$ -	0.0%
122	60500	Martin Luther King, Jr. Commission	$ 597.6	$ 687.8	$ 90.2	15.1%	$ 615.1	$ 17.5	2.9%
123	60600	Commission for the Blind	$ 3,131.7	$ 3,148.6	$ 16.9	0.5%	$ 3,148.6	$ 16.9	0.5%
124	60900	Indian Affairs Department	$ 4,875.1	$ 4,898.8	$ 23.7	0.5%	$ 4,875.1	$ -	0.0%
125	61100	Early Childhood Education and Care Department	$ 301,887.9	$ 457,449.9	$ 155,562.0	51.5%	$ 315,599.1	$ 13,711.2	4.5%
126	62400	Aging and Long-Term Services Department	$ 75,048.6	$ 83,251.3	$ 8,202.7	10.9%	$ 76,799.1	$ 1,750.5	2.3%
127	63000	Health Care Authority Department	$ 2,066,923.3	$ 2,255,186.1	$ 188,262.8	9.1%	$ 2,046,923.3	$ (20,000.0)	-1.0%
128	63100	Workforce Solutions Department	$ 14,734.6	$ 21,301.6	$ 6,567.0	44.6%	$ 15,234.6	$ 500.0	3.4%
129	63200	Workers' Compensation Administration	$ -		$ -	-		$ -	-
130	64400	Division of Vocational Rehabilitation	$ 7,067.3	$ 7,067.3	$ -	0.0%	$ 7,067.3	$ -	0.0%
131	64500	Governor's Commission on Disability	$ 1,587.6	$ 1,931.5	$ 343.9	21.7%	$ 1,683.3	$ 95.7	6.0%
132	64700	Developmental Disabilities Council	$ 10,077.8	$ 12,105.0	$ 2,027.2	20.1%	$ 10,507.8	$ 430.0	4.3%
133	66200	Miners' Hospital of New Mexico	$ -		$ -	-		$ -	-
134	66500	Department of Health	$ 219,820.8	$ 223,820.8	$ 4,000.0	1.8%	$ 227,621.1	$ 7,800.3	3.5%
135	66700	Department of Environment	$ 35,010.8	$ 41,964.4	$ 6,953.6	19.9%	$ 37,198.2	$ 2,187.4	6.2%
136	66800	Office of the Natural Resources Trustee	$ 826.3	$ 844.3	$ 18.0	2.2%	$ 844.3	$ 18.0	2.2%
137	67000	Veterans' Services Department	$ 8,853.9	$ 9,956.1	$ 1,102.2	12.4%	$ 9,911.9	$ 1,058.0	11.9%
138	68000	Office of Family Representation and Advocacy	$ 9,190.0	$ 11,149.8	$ 1,959.8	21.3%	$ 9,892.9	$ 702.9	7.6%
139	69000	Children, Youth and Families Department	$ 269,025.5	$ 317,650.0	$ 48,624.5	18.1%	$ 282,018.7	$ 12,993.2	4.8%
140			$ -						
141	**HEALTH, HOSPITALS, & HUMAN SERVICES:**		**$ 3,032,423.3**	**$ 3,456,381.8**	**$ 423,958.5**	**14.0%**	**$ 3,053,740.1**	**$ 21,316.8**	**0.7%**
142			$ -						
143	70500	Department of Military Affairs	$ 10,334.4	$ 14,937.8	$ 4,603.4	44.5%	$ 10,640.6	$ 306.2	3.0%
144	76000	Parole Board	$ 858.1	$ 880.4	$ 22.3	2.6%	$ 858.1	$ -	0.0%
146	77000	Corrections Department	$ 353,450.8	$ 368,037.5	$ 14,586.7	4.1%	$ 365,107.1	$ 11,656.3	3.3%
147	78000	Crime Victims Reparation Commission	$ 14,558.3	$ 15,709.3	$ 1,151.0	7.9%	$ 14,709.3	$ 151.0	1.0%
148	79000	Department of Public Safety	$ 199,939.8	$ 213,729.1	$ 13,789.3	6.9%	$ 206,029.4	$ 6,089.6	3.0%
149	79500	Homeland Security and Emergency Mgmt	$ 4,481.3	$ 6,938.4	$ 2,457.1	54.8%	$ 4,481.3	$ -	0.0%
150			$ -						
151	**PUBLIC SAFETY:**		**$ 583,622.7**	**$ 620,232.5**	**$ 36,609.8**	**6.3%**	**$ 601,825.8**	**$ 18,203.1**	**3.1%**
152			$ -						
153	80500	Department of Transportation	$ -	$ -	$ -	-	$ -	$ -	-
154			$ -						
155	**TRANSPORTATION:**		**$ -**	**$ -**	**$ -**	**-**	**$ -**	**$ -**	**-**
156			$ -						
157	92400	Public Education Department	$ 26,263.7	$ 28,952.4	$ 2,688.7	10.2%	$ 27,192.4	$ 928.7	3.5%
158	92500	Public Education Dept.-Special Approps	$ 68,701.0	$ 114,551.5	$ 45,850.5	66.7%	$ 73,201.0	$ 4,500.0	6.6%
159	93000	Regional Education Cooperatives	$ 1,500.0	$ 1,500.0	$ -	0.0%	$ 1,500.0	$ -	0.0%
160	94000	Public School Facilities Authority	$ -		$ -	-	$ -	$ -	-
161			$ -						
162	**OTHER EDUCATION:**		**$ 96,464.7**	**$ 145,003.9**	**$ 48,539.2**	**50.3%**	**$ 101,893.4**	**$ 5,428.7**	**5.6%**
163			$ -						
164	95000	Higher Education Department	$ 187,792.5	$ 187,788.3	$ (4.2)	0.0%	$ 187,788.3	$ (4.2)	0.0%
165	95200	University of New Mexico	$ 508,416.8	$ 543,864.4	$ 35,447.6	7.0%	$ 528,259.4	$ 19,842.6	3.9%
166	95400	New Mexico State University	$ 310,159.3	$ 328,133.9	$ 17,974.6	5.8%	$ 324,742.4	$ 14,583.1	4.7%
167	95600	New Mexico Highlands University	$ 47,126.8	$ 48,927.9	$ 1,801.1	3.8%	$ 48,606.1	$ 1,479.3	3.1%
168	95800	Western New Mexico University	$ 36,813.3	$ 38,402.5	$ 1,589.2	4.3%	$ 38,638.4	$ 1,825.1	5.0%
169	96000	Eastern New Mexico University	$ 72,184.2	$ 78,540.5	$ 6,356.3	8.8%	$ 75,648.0	$ 3,463.8	4.8%
170	96200	NM Institute of Mining and Technology	$ 57,069.7	$ 60,506.6	$ 3,436.9	6.0%	$ 60,050.1	$ 2,980.4	5.2%
171	96400	Northern New Mexico College	$ 16,301.7	$ 17,859.4	$ 1,557.7	9.6%	$ 16,787.6	$ 485.9	3.0%
172	96600	Santa Fe Community College	$ 20,852.5	$ 21,643.4	$ 790.9	3.8%	$ 21,285.7	$ 433.2	2.1%
173	96800	Central New Mexico Community College	$ 86,624.0	$ 92,499.6	$ 5,875.6	6.8%	$ 89,699.1	$ 3,075.1	3.5%
174	97000	Luna Community College	$ 10,414.1	$ 10,742.1	$ 328.0	3.1%	$ 10,599.3	$ 185.2	1.8%

HB 2 - FY27 General Fund Appropriations Summary by Agency (In thousands)

		AGENCY	FY26 General Fund Adj. OpBud	FY27 Total General Fund Request	FY27 Total General Fund Growth	FY27 General Fund Increase %	FY27 LFC Rec	FY27 LFC Rec Over/(Under) FY26 OpBud	FY27 LFC Rec Increase %
175	97200	Mesalands Community College	$ 5,932.8	$ 6,127.5	$ 194.7	3.3%	$ 6,064.0	$ 131.2	2.2%
176	97400	New Mexico Junior College	$ 9,467.2	$ 9,829.3	$ 362.1	3.8%	$ 9,819.5	$ 352.3	3.7%
177	97500	Southeast New Mexico College	$ 5,838.3	$ 5,946.6	$ 108.3	1.9%	$ 6,008.8	$ 170.5	2.9%
178	97600	San Juan College	$ 35,775.6	$ 38,505.4	$ 2,729.8	7.6%	$ 36,822.8	$ 1,047.2	2.9%
179	97700	Clovis Community College	$ 13,892.9	$ 14,965.7	$ 1,072.8	7.7%	$ 14,296.7	$ 403.8	2.9%
180	97800	New Mexico Military Institute	$ 6,416.0	$ 6,557.3	$ 141.3	2.2%	$ 6,698.6	$ 282.6	4.4%
181	97900	NM School for the Blind and Visually Impaired	$ 3,562.7	$ 3,666.2	$ 103.5	2.9%	$ 3,769.8	$ 207.1	5.8%
182	98000	New Mexico School for the Deaf	$ 7,163.3	$ 7,365.0	$ 201.7	2.8%	$ 7,566.7	$ 403.4	5.6%
183			$ -						
184	**HIGHER EDUCATION:**		**$ 1,441,803.7**	**$ 1,521,871.6**	**$ 80,067.9**	**5.6%**	**$ 1,493,151.3**	**$ 51,347.6**	**3.6%**
185			$ -						
186	99300	Public School Support	$ 4,672,907.2	$ 4,705,447.3	$ 32,540.1	0.7%	$ 4,788,553.1	$ 115,645.9	2.5%
187			$ -						
188	**PUBLIC SCHOOL SUPPORT:**		**$ 4,672,907.2**	**$ 4,705,447.3**	**$ 32,540.1**	**0.7%**	**$ 4,788,553.1**	**$ 115,645.9**	**2.5%**
189									
190									
191									
192		Compensation (LFC 1% Agencies/Higher Ed (public ed 1% funded in public school support line 186)			$ -	-	$ 26,005.1	$ 26,005.1	-
193					$ -	-			-
194									
195									
196	**COMPENSATION/OTHER**			**$ -**	**$ -**	**-**	**$ 26,005.1**	**$ 26,005.1**	
197									
198	**TOTAL GENERAL APPROPRIATION ACT**		**$ 10,777,452.9**	**$ 11,504,251.7**	**$ 726,798.8**	**6.7%**	**$ 11,044,892.2**	**$ 267,439.3**	**2.5%**
199									
200	**TOTAL FEED BILL AND GENERAL APPROPRIATION ACT**		**$ 10,825,747.8**	**$ 11,553,353.0**	**$ 727,605.2**	**6.7%**	**$ 11,093,993.5**	**$ 268,245.7**	**2.5%**

Table 2: U.S. and New Mexico Economic Indicators

U.S. and New Mexico Economic Indicators

		FY25		FY26		FY27		FY28		FY29		FY30	
		Aug 25 Forecast	Dec 25 Forecast	Aug 25 Forecast	Dec 25 Forecast	Aug 25 Forecast	Dec 25 Forecast	Aug 25 Forecast	Dec 25 Forecast	Aug 25 Forecast	Dec 25 Forecast	Aug 25 Forecast	Dec 25 Forecast
	National Economic Indicators												
S&P Global	US Real GDP Growth (annual avg.,% YOY)*	**2.8**	**2.8**	**1.4**	**2.0**	**2.0**	**2.2**	**1.7**	**1.8**	**1.6**	**1.6**	**1.7**	**1.8**
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	**2.3**	**2.3**	**1.1**	**2.0**	**1.5**	**1.9**	**2.0**	**1.9**	**2.3**	**2.3**	**2.5**	**2.6**
S&P Global	US Inflation Rate (CPI-U, annual avg., % YOY)**	**2.5**	**2.5**	**2.5**	**3.1**	**2.4**	**2.5**	**2.1**	**2.5**	**2.1**	**2.0**	**2.2**	**2.2**
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	**2.6**	**2.6**	**3.2**	**3.1**	**2.8**	**3.0**	**1.9**	**2.3**	**1.8**	**1.9**	**1.9**	**1.7**
S&P Global	Federal Funds Rate (%)	**5.1**	**5.1**	**4.3**	**4.3**	**3.5**	**3.5**	**2.9**	**2.9**	**2.9**	**2.9**	**3.1**	**3.1**
Moody's	Federal Funds Rate (%)	**4.6**	**4.6**	**3.9**	**3.8**	**3.1**	**2.9**	**3.0**	**2.9**	**3.0**	**3.0**	**2.8**	**2.8**
	New Mexico Labor Market and Income Data												
BBER	NM Non-Agricultural Employment Growth (%)	**1.1**	**1.1**	**0.6**	**0.5**	**0.2**	**0.6**	**0.2**	**0.4**	**0.3**	**0.3**	**0.5**	**0.4**
Moody's	NM Non-Agricultural Employment Growth (%)	**1.4**	**1.4**	**0.8**	**1.2**	**0.0**	**0.0**	**0.1**	**0.1**	**0.3**	**0.3**	**0.5**	**0.5**
BBER	NM Nominal Personal Income Growth (%)***	**4.8**	**4.8**	**5.0**	**4.4**	**5.1**	**5.5**	**5.0**	**5.1**	**4.9**	**4.7**	**4.7**	**4.5**
Moody's	NM Nominal Personal Income Growth (%)***	**4.7**	**5.6**	**5.2**	**4.7**	**4.7**	**4.6**	**3.9**	**3.9**	**3.5**	**3.6**	**3.7**	**3.8**
BBER	NM Total Wages & Salaries Growth (%)	**5.0**	**5.0**	**4.4**	**3.8**	**3.8**	**4.7**	**4.2**	**4.6**	**4.4**	**4.5**	**4.2**	**4.2**
Moody's	NM Total Wages & Salaries Growth (%)	**4.9**	**5.3**	**4.7**	**4.1**	**3.9**	**3.9**	**3.1**	**3.1**	**2.8**	**2.9**	**3.3**	**3.4**
BBER	NM Private Wages & Salaries Growth (%)	**4.8**	**4.8**	**4.7**	**4.2**	**4.0**	**5.1**	**4.5**	**5.0**	**4.6**	**4.8**	**4.4**	**4.4**
BBER	NM Real Gross State Product (% YOY)	**1.5**	**2.6**	**1.3**	**1.7**	**1.9**	**2.0**	**1.6**	**1.7**	**1.7**	**1.8**	**1.7**	**1.7**
Moody's	NM Real Gross State Product (% YOY)	**1.5**	**2.6**	**0.8**	**1.6**	**1.1**	**1.4**	**1.5**	**1.4**	**1.7**	**1.7**	**1.9**	**2.0**
CREG	NM Gross Oil Price ($/barrel)	**$69.00**	**$69.00**	**$60.50**	**$58.00**	**$60.50**	**$57.50**	**$64.50**	**$61.00**	**$66.00**	**$62.00**	**$67.50**	**$64.50**
CREG	NM Net Oil Price ($/barrel)*****	**$60.51**	**$60.33**	**$53.06**	**$50.77**	**$53.06**	**$50.31**	**$56.57**	**$53.38**	**$57.88**	**$54.25**	**$59.20**	**$56.44**
BBER	Oil Volumes (million barrels)	**775**	**779**	**770**	**792**	**765**	**790**	**767**	**794**	**771**	**799**	**773**	**797**
CREG	NM Taxable Oil Volumes (million barrels)	**775**	**781**	**800**	**820**	**825**	**840**	**845**	**855**	**845**	**860**	**840**	**865**
	NM Taxable Oil Volumes (%YOY growth)	**9.2%**	**10.0%**	**3.2%**	**5.0%**	**3.1%**	**2.4%**	**2.4%**	**1.8%**	**0.0%**	**0.6%**	**-0.6%**	**0.6%**
CREG	NM Gross Gas Price ($ per thousand cubic feet)****	**$3.31**	**$3.19**	**$4.42**	**$3.74**	**$4.77**	**$4.58**	**$4.49**	**$4.62**	**$4.42**	**$4.34**	**$4.32**	**$4.09**
CREG	NM Net Gas Price ($ per thousand cubic feet)*****	**$2.11**	**$2.03**	**$3.14**	**$2.57**	**$3.44**	**$3.27**	**$3.19**	**$3.30**	**$3.13**	**$3.06**	**$3.06**	**$2.85**
BBER	Gas Volumes (billion cubic feet)	**3,888**	**3,988**	**3,920**	**4,146**	**3,919**	**4,147**	**3,933**	**4,165**	**3,949**	**4,171**	**3,955**	**4,153**
CREG	NM Taxable Gas Volumes (billion cubic feet)	**3,915**	**4,000**	**4,200**	**4,490**	**4,335**	**4,640**	**4,485**	**4,885**	**4,640**	**5,080**	**4,845**	**5,225**
	NM Taxable Gas Volumes (%YOY growth)	**12.5%**	**12.0%**	**7.3%**	**12.3%**	**3.2%**	**3.3%**	**3.5%**	**5.3%**	**3.5%**	**4.0%**	**4.4%**	**2.9%**

Notes
* Real GDP is BEA chained 2017 dollars, billions, annual rate
** CPI is all urban, BLS 1982-84=1.00 base
****The gross gas prices are estimated using a formula of NYMEX, EIA, and S&P Global future prices
*****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties
Sources: BBER - October 2025 FOR-UNM baseline. S&P Global Insight - October 2025 baseline.

DFA Notes
* Real GDP is BEA chained 2012 dollars, billions, annual rate
** CPI is all urban, BLS 1982-84=1.00 base.
***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins
****The gross gas prices are estimated using a formula of NYMEX, EIA, and Moodys January future prices
*****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties
Sources: Moody's baseline

Table 3: General Fund Consensus Revenue Estimate

General Fund Consensus Revenue Estimate - December 2025

		FY25					FY26					FY27				
	Revenue Source	Aug 25 Est.	Dec 25 Prelim	Change From Prior (Aug 25)	% Change from FY24	$ Change from FY24	Aug 25 Est.	Dec 25 Est.	Change From Prior (Aug 25)	% Change from FY25	$ Change from FY25	Aug 25 Est.	Dec 25 Est.	Change From Prior (Aug 25)	% Change from FY26	$ Change from FY26
1	*Base Gross Receipts Tax*	**4,405.1**	**4,411.1**	*6.0*	*5.0%*	*211.0*	**4,557.2**	**4,559.3**	*2.1*	*3.4%*	*148.2*	**4,670.3**	**4,669.5**	*(0.8)*	*2.4%*	*110.2*
2	*F&M Hold Harmless Payments*	**(121.1)**	**(113.0)**	*8.1*	*-18.5%*	*25.7*	**(110.1)**	**(107.7)**	*2.4*	*-4.7%*	*5.3*	**(101.2)**	**(99.3)**	*1.9*	*-7.8%*	*8.4*
3	NET Gross Receipts Tax	**4,284.0**	**4,298.1**	*14.1*	*6.2%*	*249.5*	**4,447.1**	**4,451.6**	*4.5*	*3.6%*	*153.4*	**4,569.1**	**4,570.1**	*1.0*	*2.7%*	*118.6*
4	Compensating Tax	**84.7**	**85.4**	*0.8*	*2.7%*	*2.2*	**87.7**	**88.4**	*0.7*	*3.5%*	*2.9*	**90.5**	**91.1**	*0.6*	*3.1%*	*2.7*
5	TOTAL GENERAL SALES	**4,368.7**	**4,383.5**	*14.9*	*6.1%*	*251.7*	**4,534.8**	**4,539.9**	*5.1*	*3.6%*	*156.4*	**4,659.6**	**4,661.3**	*1.7*	*2.7%*	*121.3*
6	Tobacco and Cigarette Taxes	**69.4**	**69.8**	*0.3*	*-1.9%*	*(1.3)*	**65.0**	**66.5**	*1.5*	*-4.7%*	*(3.3)*	**63.4**	**65.0**	*1.6*	*-2.3%*	*(1.5)*
7	Liquor Excise	**24.1**	**23.8**	*(0.3)*	*-0.7%*	*(0.2)*	**24.3**	**23.1**	*(1.2)*	*-3.2%*	*(0.8)*	**24.3**	**22.9**	*(1.4)*	*-0.6%*	*(0.1)*
8	Cannabis Excise	**29.8**	**29.9**	*0.1*	*-8.6%*	*(2.8)*	**32.4**	**31.8**	*(0.6)*	*6.4%*	*1.9*	**35.5**	**32.8**	*(2.7)*	*3.1%*	*1.0*
9	Insurance Taxes	**455.9**	**453.9**	*(2.0)*	*22.7%*	*83.9*	**468.5**	**459.5**	*(9.0)*	*1.2%*	*5.6*	**471.2**	**462.4**	*(8.8)*	*0.6%*	*2.9*
10	Motor Vehicle Excise	**176.4**	**174.1**	*(2.2)*	*4.1%*	*6.8*	**181.9**	**178.6**	*(3.3)*	*2.6%*	*4.5*	**187.5**	**185.7**	*(1.8)*	*4.0%*	*7.1*
11	Gaming Excise	**64.9**	**67.9**	*3.0*	*0.3%*	*0.2*	**55.5**	**53.4**	*(2.1)*	*-21.3%*	*(14.5)*	**58.6**	**57.2**	*(1.4)*	*7.1%*	*3.8*
12	Leased Vehicle & Other	**7.3**	**7.0**	*(0.3)*	*-38.6%*	*(4.4)*	**7.0**	**6.2**	*(0.8)*	*-10.6%*	*(0.7)*	**7.1**	**7.9**	*0.8*	*27.1%*	*1.7*
13	TOTAL SELECTIVE SALES	**827.8**	**826.4**	*(1.4)*	*11.0%*	*82.2*	**834.6**	**819.1**	*(15.6)*	*-0.9%*	*(7.3)*	**847.6**	**833.9**	*(13.7)*	*1.8%*	*14.8*
14	Personal Income Tax	**2,191.1**	**2,143.1**	(48.0)	-2.9%	(64.5)	**2,233.5**	**2,175.0**	(58.5)	1.5%	31.9	**2,286.4**	**2,231.9**	(54.5)	2.6%	56.9
15	*Gross Corporate Income Tax*	***525.5***	***471.9***	*(53.6)*	*-11.7%*	*(62.8)*	***426.0***	***113.9***	*(312.1)*	*-75.9%*	*(358.0)*	***414.9***	***233.8***	*(181.1)*	*105.3%*	*119.9*
16	*Pass-Through Entity Income Tax*	***322.6***	***344.6***	*22.0*	*81.1%*	*154.4*	***330.9***	***321.1***	*(9.8)*	*-6.8%*	*(23.5)*	***341.9***	***320.6***	*(21.3)*	*-0.2%*	*(0.5)*
17	*CIT Refundable Credits*	***(34.0)***	***(34.0)***	*(0.0)*	*-66.7%*	*68.2*	***(182.0)***	***(181.9)***	*0.1*	*435.1%*	*(147.9)*	***(169.9)***	***(170.3)***	*(0.4)*	*-6.4%*	*11.6*
18	Total Corporate Income Tax	**814.1**	**782.5**	*(31.6)*	*24.8%*	*155.3*	**574.9**	**253.0**	*(321.8)*	*-67.7%*	*(529.5)*	**586.9**	**384.1**	*(202.8)*	*51.8%*	*131.1*
19	TOTAL INCOME TAXES	**3,005.2**	**2,925.6**	*(79.6)*	*3.2%*	*90.9*	**2,808.4**	**2,428.0**	*(380.3)*	*-17.0%*	*(497.6)*	**2,873.3**	**2,616.0**	*(257.3)*	*7.7%*	*188.0*
20	*Gross Oil and Gas School Tax*	**1,808.6**	**1,832.6**	*24.0*	*1.2%*	*22.0*	**1,865.2**	**1,774.0**	*(91.2)*	*-3.2%*	*(58.6)*	**1,976.6**	**1,939.6**	*(36.9)*	*9.3%*	*165.6*
21	*Excess to TSR, ECTF, or BHTF*	**(412.2)**	**(436.2)**	*(24.0)*	*-34.4%*	*229.0*	**(218.0)**	**(122.1)**	*96.0*	*-72.0%*	*314.1*	**(109.0)**	**(85.5)**	*23.5*	*-30.0%*	*36.6*
22	*Excess to STPF*	**(251.0)**	**(251.0)**	*0.0*	*-*	*(251.0)*	**(501.8)**	**(506.6)**	*(4.8)*	*101.8%*	*(255.6)*	**(722.2)**	**(708.8)**	*13.4*	*39.9%*	*(202.2)*
23	NET Oil & Gas School Tax	**1,145.4**	**1,145.4**	*-*	*0.0%*	*(0.0)*	**1,145.4**	**1,145.4**	*0.0*	*0.0%*	*0.0*	**1,145.4**	**1,145.4**	*0.0*	*0.0%*	*-*
24	Oil Conservation Tax	**103.0**	**102.9**	*(0.1)*	*-3.1%*	*(3.3)*	**80.5**	**90.7**	*10.2*	*-11.8%*	*(12.2)*	**83.0**	**98.0**	*15.0*	*8.0%*	*7.3*
25	Resources Excise Tax	**8.2**	**8.5**	*0.3*	*7.7%*	*0.6*	**8.3**	**8.4**	*0.1*	*-0.8%*	*(0.1)*	**8.0**	**8.1**	*0.1*	*-3.6%*	*(0.3)*
26	Natural Gas Processors Tax	**28.8**	**29.0**	*0.2*	*-45.7%*	*(24.5)*	**20.3**	**20.3**	*-*	*-30.1%*	*(8.7)*	**28.2**	**26.5**	*(1.7)*	*30.5%*	*6.2*
27	TOTAL SEVERANCE TAXES	**1,285.4**	**1,285.8**	*0.4*	*-2.1%*	*(27.2)*	**1,254.5**	**1,264.8**	*10.3*	*-1.6%*	*(21.0)*	**1,264.6**	**1,278.0**	*13.4*	*1.0%*	*13.1*
28	LICENSE FEES	**67.7**	**72.7**	*5.0*	*-0.1%*	*(0.1)*	**68.4**	**60.0**	*(8.3)*	*-17.4%*	*(12.7)*	**67.5**	**72.9**	*5.5*	*21.5%*	*12.9*
29	LGPF Interest	**1,349.6**	**1,349.8**	*0.2*	*11.8%*	*142.9*	**1,534.5**	**1,531.5**	*(2.9)*	*13.5%*	*181.7*	**1,698.8**	**1,696.2**	*(2.7)*	*10.7%*	*164.6*
30	STO Interest	**418.1**	**401.2**	*(16.9)*	*2.7%*	*10.7*	**290.6**	**322.0**	*31.4*	*-19.7%*	*(79.2)*	**257.1**	**299.5**	*42.4*	*-7.0%*	*(22.5)*
31	STPF Interest	**332.8**	**332.8**	*0.0*	*14.9%*	*43.2*	**378.3**	**375.4**	*(3.0)*	*12.8%*	*42.6*	**433.6**	**429.2**	*(4.4)*	*14.4%*	*53.9*
32	TOTAL INTEREST	**2,100.5**	**2,083.8**	*(16.7)*	*10.4%*	*196.7*	**2,203.4**	**2,228.9**	*25.5*	*7.0%*	*145.1*	**2,389.6**	**2,424.9**	*35.3*	*8.8%*	*196.0*
33	*Gross Federal Mineral Leasing*	***2,786.1***	***2,786.4***	*0.3*	*-1.4%*	*(38.3)*	***2,644.3***	***2,543.2***	*(101.1)*	*-8.7%*	*(243.2)*	***2,823.4***	***2,772.2***	*(51.2)*	*9.0%*	*229.0*
34	*Excess to ECTF or Medicaid TF*	***(805.6)***	***(805.9)***	*(0.3)*	*-31.7%*	*373.9*	***(270.1)***	***(168.9)***	*101.2*	*-79.0%*	*637.1*	***(82.5)***	***(51.6)***	*30.9*	*-69.5%*	*117.3*
35	*Excess to STPF*	***(335.6)***	***(335.6)***	*0.0*	*-*	*(335.6)*	***(729.4)***	***(729.4)***	*(0.0)*	*117.4%*	*(393.9)*	***(1,095.9)***	***(1,075.8)***	*20.1*	*47.5%*	*(346.3)*
36	NET Federal Mineral Leasing	**1,644.9**	**1,644.9**	*-*	*0.0%*	*0.0*	**1,644.9**	**1,644.9**	*0.0*	*0.0%*	*-*	**1,644.9**	**1,644.9**	*(0.0)*	*0.0%*	*(0.0)*
37	State Land Office	**101.4**	**101.4**	*(0.0)*	*-13.9%*	*(16.4)*	**109.5**	**149.3**	*39.8*	*47.3%*	*47.9*	**111.0**	**130.1**	*19.1*	*-12.8%*	*(19.2)*
38	TOTAL RENTS & ROYALTIES	**1,746.3**	**1,746.3**	*(0.0)*	*-0.9%*	*(16.4)*	**1,754.4**	**1,794.2**	*39.8*	*2.7%*	*47.9*	**1,755.9**	**1,775.0**	*19.1*	*-1.1%*	*(19.2)*
39	TRIBAL REVENUE SHARING	**84.7**	**85.3**	*0.6*	*2.0%*	*1.7*	**86.6**	**87.5**	*0.9*	*2.6%*	*2.2*	**88.9**	**90.5**	*1.6*	*3.4%*	*3.0*
40	MISCELLANEOUS RECEIPTS	**58.6**	**78.9**	*20.3*	*1.3%*	*1.0*	**50.9**	**50.6**	*(0.3)*	*-35.9%*	*(28.3)*	**53.0**	**50.8**	*(2.2)*	*0.3%*	*0.2*
41	REVERSIONS[2]	**110.0**	**110.0**	*-*	*-22.8%*	*(32.5)*	**110.0**	**110.0**	*-*	*0.0%*	*-*	**110.0**	**110.0**	*-*	*0.0%*	*-*
42	TOTAL RECURRING	**13,654.8**	**13,598.3**	*(56.5)*	*4.2%*	*548.0*	**13,706.0**	**13,383.1**	*(322.9)*	*-1.6%*	*(215.2)*	**14,109.9**	**13,913.2**	*(196.7)*	*4.0%*	*530.2*
43	TOTAL NONRECURRING	**45.5**	**28.5**	*(17.1)*	*-79.6%*	*(111.3)*	**-**	**362.6**	*-*	*1174.1%*	*334.1*	**-**		*-*	*-*	*(362.6)*
44	**GRAND TOTAL General Fund**	**13,700.3**	**13,626.7**	*(73.6)*	*3.3%*	*436.7*	**13,706.0**	**13,745.7**	*39.6*	*0.9%*	*118.9*	**14,109.9**	**13,913.2**	*(196.7)*	*1.2%*	*167.6*

General Fund Financial Summary
2026 Session LFC Recommendation
(millions of dollars)

December 22, 2025
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	Estimate FY2025	Estimate FY2026	Estimate FY2027
APPROPRIATION ACCOUNT			
REVENUE			
August 2025 Consensus Revenue Estimate	$ 13,654.8	$ 13,706.0	$ 14,109.9
December 2025 Consensus Revenue Estimate	$ (59.1)	$ (322.9)	$ (196.7)
Total Recurring Revenue	$ 13,595.7	$ 13,383.1	$ 13,913.2
Percent Change in Recurring Revenue	*4.3%*	*-1.6%*	*4.0%*
Nonrecurring Revenue			
August 2025 Consensus Revenue Estimate	$ 45.5	$ -	$ -
December 2025 Consensus Revenue Estimate	$ (17.1)	$ 362.6	$ -
Total Nonrecurring Revenue	$ 28.5	$ 362.6	$ -
TOTAL REVENUE	**$ 13,624.1**	**$ 13,745.7**	**$ 13,913.2**
APPROPRIATIONS			
Recurring Appropriations			
2024 Regular Session Recurring Legislation & Feed Bill	$ 10,219.5		
2025 Regular Session Recurring Legislation & Feed Bill	$ 15.1	$ 10,826.3	
2026 Regular Session LFC Recurring Recommendation	$ -	$ 12.3	$ 11,094.5
Total Recurring Appropriations	$ 10,234.6	$ 10,838.6	$ 11,094.5
Nonrecurring Appropriations			
Allotment to the Election Fund		$ 30.0	
2024 Regular Session Nonrecurring Legislation	$ 2,399.6		
2024 Special Session Nonrecurring Legislation	$ 103.0		
2025 Regular Session Nonrecurring Legislation	$ 1,056.4	$ 2,806.6	
2025 1st Special Session Nonrecurring Legislation	$ -	$ 144.5	
2025 2nd Special Session Nonrecurring Legislation		$ 0.1	
2026 Session LFC Nonrecurring Recommendation		$ 31.1	$ 2,108.0
Total Nonrecurring Appropriations	$ 3,559.0	$ 3,012.3	$ 2,108.0
Subtotal Recurring and Nonrecurring Appropriations	$ 13,793.6	$ 13,850.9	$ 13,202.5
Audit Adjustments	$ (7.9)		
TOTAL APPROPRIATIONS	**$ 13,785.7**	**$ 13,850.9**	**$ 13,202.5**
Transfer to (from) Operating Reserves	$ (161.6)	$ (105.2)	$ 710.8
Transfer to (from) Appropriation Contingency Fund (ARPA Funds)	$ -	$ -	$ -
TOTAL REVENUE LESS TOTAL APPROPRIATIONS	$ (161.6)	$ (105.2)	$ 710.8
GENERAL FUND RESERVES			
Beginning Balances	$ 3,307.3	$ 3,181.4	$ 3,329.4
Transfers from (to) Appropriations Account	$ (161.6)	$ (105.2)	$ 710.8
Revenue and Reversions	$ 761.0	$ 764.5	$ 266.9
Appropriations, Expenditures and Transfers Out	$ (725.4)	$ (511.2)	$ (725.9)
Ending Balances	**$ 3,181.4**	**$ 3,329.4**	**$ 3,581.2**
Reserves as a Percent of Recurring Appropriations	*31.1%*	*30.7%*	*32.3%*

Notes:

1) Many nonrecurring appropriations, including specials and supplementals in the GAA, had authorization to spend in multiple fiscal years - amounts that were not distributed in the first year become encumbrances for the next year.

* Note: totals may not foot due to rounding

General Fund Financial Summary
2026 Session LFC Recommendation
RESERVE DETAIL
(millions of dollars)

December 22, 2025
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	Estimate FY2025	Estimate FY2026	Estimate FY2027
OPERATING RESERVE			
Beginning Balance	$ 606.6	$ 246.5	$ 138.5
BOF Emergency Appropriations/Reversions	$ (4.0)	$ (4.0)	$ (4.0)
Transfers from (to) Appropriation Account	$ (161.6)	$ (105.2)	$ 710.8
Transfers to Tax Stabilization Reserve or Gov. Results and Opportunity Fund	$ -	$ -	$ -
Disaster Allotments	$ (194.4)	$ (200.0)	
Transfers from tax stabilization reserve to restore balance to 1 percent	$ -	$ 108.7	
Appropriation (to) HCA for SNAP - 2025 2nd Special Session	$ -	$ (160.0)	
Reversions in from HSD, DOH, HCA - 2025 2nd Special Session	$ -	$ 162.5	
Transfer from (to) ACF/Other Appropriations	$ -	$ 90.0	$ -
Audit and Pre-Audit Adjustments	$ (0.1)	$ -	$ -
Ending Balance	$ 246.5	$ 138.5	$ 845.3
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	$ 9.1	$ 68.4	$ 30.0
Disaster Allotments	$ (65.7)	$ (43.5)	$ -
Transfers In/(Out)	$ 150.0	$ 5.0	$ 30.0
Appropriations Out	$ (25.0)	$ -	$ -
Ending Balance	$ 68.4	$ 30.0	$ 60.0
STATE SUPPORT FUND			
Beginning Balance	$ 0.4	$ 0.4	$ 0.4
Revenues	$ 40.0	$ -	$ -
Appropriations	$ (40.0)	$ -	$ -
Ending Balance	$ 0.4	$ 0.4	$ 0.4
GOVERNMENT RESULTS AND OPPORTUNITY EXPENDABLE TRUST (GRO)			
Beginning Balance	$ 512.2	$ 530.8	$ -
Revenues/Gains	$ 7.7	$ 10.6	$ -
Transfers from the Operating Reserve	$ -	$ -	$ -
Appropriations to (from) the GRO	$ -	$ 265.3	$ -
Reversions	$ 10.9		
Expenditures	$ -	$ (132.7)	$ -
Ending Balance	$ 530.8	$ 674.0	$ -
BEHAVIORAL HEALTH TRUST FUND			
Beginning Balance		$ -	$ 166.2
Revenues/Gains		$ 66.2	$ 51.4
Appropriations to (from) BHTF		$ 100.0	$ 50.0
Distributions		$ -	$ (5.2)
Ending Balance		$ 166.2	$ 262.4
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	$ 2,179.0	$ 2,335.3	$ 2,320.4
Revenues from Excess Oil and Gas Emergency School Tax	$ 436.2	$ 61.0	$ 42.7
Gains(Losses)	$ 156.3	$ 93.8	$ 92.8
Transfers In (From Operating Reserve)	$ -	$ -	$ -
Transfer Out to Operating Reserve	$ -	$ (108.7)	$ -
Transfer Out to Early Childhood Trust Fund	$ (436.2)	$ (61.0)	$ (42.7)
Ending Balance	$ 2,335.3	$ 2,320.4	$ 2,413.2
Percent of Recurring Appropriations	*22.8%*	*21.4%*	*21.8%*
TOTAL GENERAL FUND ENDING BALANCES	**$ 3,181.4**	**$ 3,329.4**	**$ 3,581.2**
Percent of Recurring Appropriations	*31.1%*	*30.7%*	*32.3%*

* Note: totals may not foot due to rounding

Table 5: Special, Supplemental, Deficiency, and IT Appropriations and Recommendations

Special, Supplemental, Deficiency, and IT Appropriations

	Sec.	Agency	Language	LFC Recommendation GF	Other	Total	
1	5	Legislative Finance Committee	To contract for a higher education performance-based funding formula. Any unexpended balances remaining at the end of fiscal year 2027 shall not revert and may be expended through fiscal year 2028.	$2,000.0		$2,000.0	1
2	5	Administrative Office of the Courts	For cybersecurity upgrades, contingent on confirming with the department of information and technology that the administrative office of the courts is in compliance with cybersecurity standards.	$900.0		$900.0	2
3	5	Administrative Office of the Courts	For improvements, repairs and security infrastructure at court facilities statewide.	$1,200.0		$1,200.0	3
4	5	Administrative Office of the Courts	For information technology hardware and software for courts statewide, including conversion to electronic records.	$750.0		$750.0	4
5	5	First Judicial District Attorney	For a pilot program to support implementation of the case management order to include evaluation and metrics of the pilot for expenditure in fiscal year 2027 through 2029.	$4,200.0		$4,200.0	5
6	5	Law Offices of the Public Defender	For externship and internship initiatives.	$240.0		$240.0	6
7	5	Attorney General	For cybersecurity. The internal services fund/interagency transfers appropriation is from the consumer settlement fund.		$350.0	$350.0	7
8	5	Attorney General	For extraordinary litigation expenses related to consumer protection and changes in federal funding policies. The other state funds appropriation is from the consumer settlement fund. Any unexpended balance remaining at the end of fiscal year 2027 shall not revert and may be expended through fiscal year 2029.		$3,000.0	$3,000.0	8
9	5	Attorney General	For litigation of the tobacco master settlement agreement.	$600.0		$600.0	9
10	5	Attorney General	For personal services and employee benefits. The internal services/interagency transfer appropriation is from the consumer settlement fund.		$500.0	$500.0	10
11	5	Auditor	For technical assistance for the small local public bodies compliance program.	$500.0		$500.0	11
12	5	Taxation and Revenue Department	Subject to approval of an expenditure plan by the state board of finance, the taxation and revenue department may request up to three million dollars ($3,000,000) from the appropriation contingency fund to implement tax and Motor Vehicle Code changes.				12
13	5	Taxation and Revenue Department	To purchase and install replacement equipment for processing taxpayer and motor vehicle mailings.	$300.0		$300.0	13
14	5	Department of Finance and Administration	For the New Mexico infrastructure conference.	$150.0		$150.0	14
15	5	Department of Finance and Administration	To purchase computers and equipment to support New Mexico acequia commission.	$10.0		$10.0	15
16	5	Department of Finance and Administration	To the child care facility revolving loan fund of the New Mexico finance authority for prekindergarten and early prekindergarten classrooms in community provider facilities prioritizing rural areas of the state. The general fund appropriation is from the permanent school fund.	$5,000.0		$5,000.0	16
17	5	Department of Finance and Administration	To the New Mexico match fund.	$25,000.0		$25,000.0	17
18	5	General Services Department	To purchase vehicles for the motor pool fleet.	$2,000.0		$2,000.0	18

Special, Supplemental, Deficiency, and IT Appropriations

				LFC Recommendation			
	Sec.	Agency	Language	GF	Other	Total	
19	5	Governor	For employee liability insurance premiums in fiscal year 2027.	$398.8		$398.8	19
20	5	Department of Information Technology	For digital trunk radio systems for emergency responders statewide, contingent on the department implementing a local match requirement.	$2,500.0		$2,500.0	20
21	5	Department of Information Technology	To support cybersecurity initiatives for executive branch agencies, public education institutions, institutions of higher education, municipalities, counties and other public entities.	$5,000.0		$5,000.0	21
22	5	Secretary of State	For tabulator replacement hardware.	$6,426.8		$6,426.8	22
23	5	Secretary of State	For the election fund for the 2026 general election in fiscal year 2027.	$15,000.0		$15,000.0	23
24	5	Personnel Board	For the summer internship program.	$150.0		$150.0	24
25	5	Tourism Department	For grants to tribal and local governments for tourism-related infrastructure projects through the destination forward grant program through fiscal year 2028.	$1,900.0		$1,900.0	25
26	5	Tourism Department	For national and international marketing and advertising campaigns, including up to two million dollars ($2,000,000) for the marketing excellence bureau.	$18,000.0		$18,000.0	26
27	5	Tourism Department	To promote athletic competitions for people with disabilities.	$300.0		$300.0	27
28	5	Economic Development Department	For economic development and tourism.	$5,000.0		$5,000.0	28
29	5	Economic Development Department	For grants supporting small businesses, entrepreneurs, startups, and research and development in the science and technology target sectors.	$11,600.0		$11,600.0	29
30	5	Economic Development Department	For information technology hardware and software.	$215.0		$215.0	30
31	5	Economic Development Department	For innovation hubs, including seven million dollars ($7,000,000) for start up costs.	$30,000.0		$30,000.0	31
32	5	Economic Development Department	For outdoor equity grants.	$3,000.0		$3,000.0	32
33	5	Economic Development Department	For the healthy food financing program for expenditure in fiscal year 2027.	$2,000.0		$2,000.0	33
34	5	Economic Development Department	For the quantum benchmarking initiative to match funds from the federal defense advanced research projects agency.	$16,400.0		$16,400.0	34
35	5	Economic Development Department	For the research, development and deployment fund contingent on performance outcomes, including research spending, jobs created, and business scaling.	$40,000.0		$40,000.0	35
36	5	Economic Development Department	For trails plus grants	$10,000.0		$10,000.0	36
37	5	Public Regulation Commission	To administer the community solar program.	$700.0		$700.0	37
38	5	Board of Veterinary Medicine	For veterinary and shelter inspections.	$90.0		$90.0	38
39	5	Cultural Affairs Department	For an archaeological field school.	$400.0		$400.0	39
40	5	Cultural Affairs Department	For federal Native American Graves Protection and Repatriation Act compliance through fiscal year 2028.	$1,500.0		$1,500.0	40
41	5	Department of Game and Fish	For aquatic endangered species and hatcheries.	$2,000.0		$2,000.0	41

Special, Supplemental, Deficiency, and IT Appropriations

				LFC Recommendation			
	Sec.	Agency	Language	GF	Other	Total	
42	5	Energy, Minerals and Natural Resources Department	For grants and loans for a wildfire mapping database.	$2,000.0		$2,000.0	42
43	5	Energy, Minerals and Natural Resources Department	For legal fees related to defending the state in Atencio v. state of New Mexico No. D-101-CV-2023-01038. The other state funds appropriation is from the consumer settlement fund.		$200.0	$200.0	43
44	5	Energy, Minerals and Natural Resources Department	To support the community energy efficiency development program.	$5,000.0		$5,000.0	44
45	5	State Land Office	For land appraisal.	$200.0		$200.0	45
46	5	State Engineer	To fund acequia projects statewide. Any unexpended balance remaining at the end of fiscal year 2027 shall not revert and may be expended through fiscal year 2029.	$2,000.0		$2,000.0	46
47	5	State Engineer	To the interstate stream commission in partnership with the middle Rio Grande conservancy district to plan, implement and maintain bosque management projects the middle Rio Grande valley. Any unexpended balance remaining at the end of fiscal year 2027 shall not revert and may be expanded in fiscal year 2028.	$7,000.0		$7,000.0	47
48	5	State Engineer	To the irrigation works construction fund.	$5,000.0		$5,000.0	48
49	5	State Engineer	To the strategic water reserve fund.	$15,500.0		$15,500.0	49
50	5	Commission for the Blind	For the client assistance program in cooperation with the vocational rehabilitation division, contingent on enactment of federal legislation transferring responsibility to states for the client assistance program.	$131.9		$131.9	50
51	5	Aging and Long-Term Services Department	For emergencies, disaster preparedness, urgent supplemental programmatic needs and planning to serve seniors and adults with disabilities. The other state funds appropriation is from the Kiki Saavedra senior dignity fund.		$600.0	$600.0	51
52	5	Health Care Authority	For costs associated with competency to stand trial examinations, testing and court-ordered testimony provided by contracted forensic examiners.	$2,000.0		$2,000.0	52
53	5	Health Care Authority	For healthcare supports in disadvantaged communities.	$35,000.0		$35,000.0	53
54	5	Health Care Authority	For posting and notice-related costs resulting from revised federal policy changes.	$4,371.0	$8,794.5	$13,165.5	54
55	5	Health Care Authority	For support system improvements, staff training and process enhancements to reduce payment errors, strengthen compliance and mitigate future liability under federal quality control requirements.	$8,855.2		$8,855.2	55
56	5	Health Care Authority	To implement development, delivery and support for a new training infrastructure for statewide screening, brief intervention and referral to treatment as mandated by the 2025 New Mexico Comprehensive Addiction and Recovery Act.	$7,000.0		$7,000.0	56
57	5	Developmental Disabilities Council	To reduce the waiting list for legal and guardianship services.	$200.0		$200.0	57
58	5	Department of Health	For instruments and equipment for the toxicology bureau.	$2,200.0		$2,200.0	58
59	5	Department of the Environment	For community energy project completion.	$25,000.0		$25,000.0	59
60	5	Department of the Environment	To the rural infrastructure revolving loan fund for low-interest loans to rural communities for water, wastewater and solid waste projects.	$15,000.0		$15,000.0	60

Special, Supplemental, Deficiency, and IT Appropriations

	Sec.	Agency	Language	LFC Recommendation GF	Other	Total	
61	5	Department of the Environment	To the strategic water supply fund.	$40,000.0		$40,000.0	61
62	5	Department of the Environment	To the uranium mining reclamation revolving fund.	$20,000.0		$20,000.0	62
63	5	Department of the Environment	To the wastewater facility construction loan fund.	$5,750.0		$5,750.0	63
64	5	Department of the Environment	To the water quality management fund for the river stewardship program.	$15,000.0		$15,000.0	64
65	5	Office of Natural Resources Trustee	For lands that support wildlife, recreational access and community resilience.	$100,000.0		$100,000.0	65
66	5	Office of Natural Resources Trustee	For natural resources restoration. The other state funds appropriation is from the consumer settlement fund.		$15,000.0	$15,000.0	66
67	5	Veterans' Services	For operational costs of the mobile veteran resource unit. Any unexepended balance remaining at the end of fiscal year 2027 shall not revert and may be expended through fiscal year 2029.	$450.0		$450.0	67
68	5	Veterans' Services	For the operations of the state veterans cemetery in Taos.	$250.0		$250.0	68
69	5	Office of Family Representation	For expansion costs, including information technology equipment, office furniture, and vehicle leases.	$120.0		$120.0	69
70	5	Children, Youth and Families Department	For the cost of co-neutral services required pursuant to the Kevin S., et al. v. Blalock, et al., No. 1:18-CV-00896 settlement agreement.	$2,500.0		$2,500.0	70
71	5	Adult Parole Board	To convert paper files to electronic records.	$179.0		$179.0	71
72	5	Corrections Department	For secure inmate transport vehicles.	$300.0		$300.0	72
73	5	Department of Public Safety	To purchase vehicles and in-car and body-worn camera systems.	$3,000.0		$3,000.0	73
74	5	Public Education Department	For legal fees related to defending the state in Martinez v. state of New Mexico No. D-101-CV-2014-00793 and Yazzie v. state of New Mexico No. D-101-CV-2014-02224. The other state funds appropriation is from the consumer settlement fund.		$500.0	$500.0	74
75	5	Public Education Department	For outdoor classrooms.	$500.0		$500.0	75
76	5	Public Education Department	For principal and superintendent preparation, coaching, and residencies pursuant to the School Personnel Act.	$5,600.0		$5,600.0	76
77	5	Public Education Department	For regional and statewide school safety summits.	$200.5		$200.5	77
78	5	Public Education Department	For science, technology, engineering, arts and mathematics initiatives.	$3,000.0		$3,000.0	78
79	5	Public Education Department	For student reading and math intervention programs.	$29,000.0		$29,000.0	79
80	5	Public Education Department	For summer internship opportunities for working-age high school students.	$10,000.0		$10,000.0	80
81	5	Public Education Department	For the implementation of special education initiatives by the public education department.	$4,000.0		$4,000.0	81
82	5	Public Education Department	For the recruitment and retention of educator fellows and grow your own teacher programs, including one million dollars ($1,000,000) for teacher recruitment pilots and programs to improve the teacher workforce pipeline. The public education department shall prioritize awards to school districts and charter schools that provide local matching funds for participating educators.	$20,000.0		$20,000.0	82

Special, Supplemental, Deficiency, and IT Appropriations

	Sec.	Agency	Language	LFC Recommendation GF	Other	Total	
83	5	Public Education Department	For universal free school meals pursuant to the Healthy Hunger-Free Students' Bill of Rights Act, contingent on a budgetary shortfall in fiscal year 2027 due to growth in participation or meal rates.	$5,179.3		$5,179.3	83
84	5	Public School Facilities Authority	For prekindergarten and early prekindergarten classrooms in public schools prioritizing rural areas of the state. The general fund appropriation is from the permanent school fund.	$5,000.0		$5,000.0	84
85	5	Higher Education Department	For defense research, commercialization and student supports.	$16,000.0		$16,000.0	85
86	5	Higher Education Department	For distribution to the athletics departments of comprehensive colleges based on the proportional size of state athletics appropriations to each college provided that no more than one million dollars ($1,000,000) shall be distributed annually in fiscal years 2027, 2028, and 2029.	$3,000.0		$3,000.0	86
87	5	Higher Education Department	For distribution to the higher education institutions of New Mexico for building renewal and replacement and facility demolition for expenditure in fiscal year 2027. A report of building renewal and replacement transfers must be submitted to the higher education department before funding is released. In the event of a transfer of building renewal and replacement funding to cover institutional salaries, or any other ineligible purpose as defined in the New Mexico higher education department space policy, funding shall not be released to the higher education institutions.	$20,000.0		$20,000.0	87
88	5	Higher Education Department	For distribution to the higher education institutions of New Mexico for equipment renewal and replacement. A report of equipment and renewal and replacement transfers must be submitted to the higher education department before funding is released. In the event of a transfer of equipment renewal and replacement funding to cover institutional salaries, funding shall not be released to the higher education institution.	$3,000.0		$3,000.0	88
89	5	Higher Education Department	For the health professional loan repayment program contingent on enactment of legislation to increase the maximum annual amount of loan repayment for physicians of the second session of the fifty-seventh legislature.	$25,000.0		$25,000.0	89
90	5	University of New Mexico	For a behavioral health technical assistance center to support the behavioral health reform and investment act. Any unexpended balance remaining at the end of fiscal year 2027 shall not revert and may be expended through fiscal year 2029.	$6,800.0		$6,800.0	90
91	5	University of New Mexico	For planning, design, and construction of the school of medicine. The other state funds appropriation is from the higher education major projects fund.		$150,000.0	$150,000.0	91
92	5	University of New Mexico	For the athletics department provided that no more than four million dollars ($4,000,000) shall be expended annually in fiscal years 2027, 2028, and 2029.	$12,000.0		$12,000.0	92
93	5	University of New Mexico	For the office of the medical investigator at the university of New Mexico for surgical lighting and equipment for a health radio frequency identification body management system.	$114.2		$114.2	93
94	5	New Mexico State University	For purchase and installation of equipment supporting the physical sciences laboratory.	$16,000.0		$16,000.0	94

Special, Supplemental, Deficiency, and IT Appropriations

	Sec.	Agency	Language	LFC Recommendation GF	Other	Total	
95	5	New Mexico State University	For the athletics department provided that no more than three million dollars ($3,000,000) shall be expended annually in fiscal years 2027, 2028, and 2029.	$9,000.0		$9,000.0	95
96	5	New Mexico State University	For the department of agriculture to support the implementation of Laws 2025 Chapter 53 in encouraging retention and recruitment of large animal veterinarian services in underserved areas of New Mexico.	$1,500.0		$1,500.0	96
97	5	New Mexico State University	To department of agriculture for the New Mexico grown approved supplier program.	$430.0		$430.0	97
98	5	New Mexico State University	To the department of agriculture for soil and water conservation training and education.	$1,000.0		$1,000.0	98
99	5	New Mexico State University	To the department of agriculture for waste material equipment and technology at meat processing facilities.	$3,000.0		$3,000.0	99
100	5	New Mexico State University	To the department of agriculture to eradicate trich, including for treatment and quarantine. Any unexpended balance remaining at the end of fiscal year 2027 shall not revert and may be expended through fiscal year 2029.	$5,100.0		$5,100.0	100
101	5	New Mexico Institute of Mining and Technology	To the New Mexico institute of mining and technology for the New Mexico bureau of geology and mineral resources to meet state needs for aquifer monitoring, building aquifer characterization, and integration of state water data.	$22,000.0		$22,000.0	101
102	5	Santa Fe Community College	For research for the first born home visiting program. Any unexpended balances remaining at the end of fiscal year 2027 shall not revert and may be expended through fiscal year 2029.	$250.0		$250.0	102
103	6	Eleventh Judicial District Attorney, Division I	For training, equipment, legal research tools, electronic evidence data storage, building security enhancements and to replace vehicles.	$100.0		$100.0	103
104	6	Secretary of State	For the election fund in fiscal year 2026 for the 2026 primary election.	$15,000.0		$15,000.0	104
105	6	Public Employee Labor Relations Board	To cover a projected shortfall in the personal services and employee benefits category.	$8.5		$8.5	105
106	6	Regulation and Licensing Department	To correct and resolve prior year general fund deficiencies.	$7,452.5		$7,452.5	106
107	6	Public Education Department	For projected at-risk and English learner program unit losses at charter schools in fiscal year 2026. Up to six million dollars ($6,000,000) of this appropriation may be used by the public education department to supplement a charter school's program costs in fiscal year 2026 if the charter school's at-risk index decreased from fiscal year 2025, calculated as the difference between the sum of the charter school's fiscal year 2026 at-risk index pursuant to Section 22-8-23.3 NMSA 1978 and English learner three-year average rate pursuant to Section 22-8-23.15 NMSA 1978 and the charter school's fiscal year 2025 at-risk index. The public education department shall distribute a prorated share of this appropriation to each charter school based on the aforementioned difference in at-risk indices multiplied by the charter school's fiscal year 2026 student membership as defined in Section 22-8-23.3 NMSA 1978 and multiplied by the final FY26 unit value.	$6,000.0		$6,000.0	107

Special, Supplemental, Deficiency, and IT Appropriations

	Sec.	Agency	Language	LFC Recommendation GF	Other	Total	
108	7	Administrative Office of the District Attorneys	To replace information technology hardware, contingent on compliance with cybersecurity standards set by the department of information technology.		$500.0	$500.0	108
109	7	Taxation and Revenue Department	To continue the replacement of the legacy tax return software.		$2,841.0	$2,841.0	109
110	7	Taxation and Revenue Department	To implement system changes to ensure compliance with required driver and vehicle interface mandates.		$4,086.6	$4,086.6	110
111	7	Secretary of State	To continue implementation of a web-based filing system.		$750.0	$750.0	111
112	7	Secretary of State	To continue implementation of an election management solution.		$200.0	$200.0	112
113	7	Department of Game and Fish	To continue modernization of online systems. The other state funds appropriation is from the game protection fund.		$580.0	$580.0	113
114	7	Workforce Solutions Department	For a system to collect unemployment insurance through the treasury offset program.		$2,251.0	$2,251.0	114
115	7	Department of Health	For website modernization.		$200.0	$200.0	115
116	7	Higher Education Department	To complete the collaborative for the higher education shared services project. The other state funds appropriation is from the higher education shared services colleges' operational fund balances.		$24,364.4	$24,364.4	116
117	9	Administrative Office of the Courts	For the expansion of assisted outpatient treatment programs, a competency diversion pilot and other behavioral health programs, for expenditure in fiscal years 2027 and 2028.		$1,265.4	$1,265.4	117
118	9	Law Offices of the Public Defender	To pilot hourly rates for contract attorneys.		$6,600.0	$6,600.0	118
119	9	Department of Finance and Administration	For distributions to state agencies pursuant to a rate schedule adopted pursuant to Section 15-3B-18 NMSA 1978.		$3,000.0	$3,000.0	119
120	9	Early Childhood Education and Care Department	For childcare assistance affordability pilot to subsidize childcare slots for families above two hundred fifty percent of the federal poverty level with children below 5-years-old.		$48,000.0	$48,000.0	120
121	9	Children, Youth and Families Department	for a dedicated SafeCare unit within the protective services program to provide in-home services to families reported to the agency for suspected abuse or neglect		$12,000.0	$12,000.0	121
122	9	Children, Youth and Families Department	for start-up and operational costs of evidence-based programs delivered in a community-based setting, including youth mentoring services, for high risk youth within the juvenile justice facilities program		$4,500.0	$4,500.0	122
123	9	Department of Transportation	To perform road safety audits and site assessments on state and local roads.		$4,500.0	$4,500.0	123
124	9	Public Education Department	To conduct a randomized controlled trial of community schools to improve student attendance. Up to one hundred thousand dollars ($100,000) may be used by the public education department to evaluate and monitor outcomes. The other state funds appropriation is from the public education reform fund.		$18,300.0	$18,300.0	124

Special, Supplemental, Deficiency, and IT Appropriations

	Sec.	Agency	Language	LFC Recommendation GF	Other	Total	
125	9	Public Education Department	To conduct a randomized controlled trial of innovation zones to improve student attendance, graduation, and employability. Up to one hundred thousand dollars ($100,000) may be used by the public education department to evaluate and monitor outcomes. The other state funds appropriation is from the public education reform fund.		$34,500.0	$34,500.0	125
126	9	Public Education Department	To conduct a randomized controlled trial of out-of-school time programs to improve student reading proficiency, math proficiency, and attendance. Up to two hundred thousand dollars ($200,000) may be used by the public education department to evaluate and monitor outcomes. The other state funds appropriation is from the public education reform fund.		$21,600.0	$21,600.0	126
127	9	Public Education Department	To conduct a randomized controlled trial on high impact tutoring during the school day to improve student reading proficiency and math proficiency. Up to one hundred thousand dollars ($100,000) may be used by the public education department to evaluate and monitor outcomes. The other state funds appropriation is from the public education reform fund.		$15,300.0	$15,300.0	127
128	10	Department of Finance and Administration	[APPROPRIATION CONTINGENCY FUND] The general fund transfer is in fiscal year 2027.	$30,000.0		$30,000.0	128
129	10	Department of Finance and Administration	[BEHAVIORAL HEALTH TRUST FUND] The general fund transfer is in fiscal year 2027.	$50,000.0		$50,000.0	129
130	10	Department of Finance and Administration	[OPIOID CRISIS RECOVERY FUND] The other state funds transfer is from the opioid settlement restricted fund in fiscal year 2026.		$12,102.0	$12,102.0	130
131	10	Department of Finance and Administration	[OPIOID CRISIS RECOVERY FUND] The other state funds transfer is from the opioid settlement restricted fund in fiscal year 2027.		$21,802.0	$21,802.0	131
132	10	Department of Finance and Administration	[OPPORTUNITY ENTERPRISE REVOLVING FUND] The general fund transfer is in fiscal year 2027.	$100,000.0		$100,000.0	132
133	10	Department of Finance and Administration	[WATER PROJECT FUND] The general fund transfer is in fiscal year 2027, contingent on enactment of legislation of the second session of the fifty seventh legislature suspending legislative authorization of water trust board projects.	$100,000.0		$100,000.0	133
134	10	Public Education Department	[PUBLIC EDUCATION REFORM FUND] The other state funds transfer is from the government results and opportunity program fund in fiscal year 2027.		$89,700.0	$89,700.0	134
135	10	Higher Education Department	[HIGHER EDUCATION MAJOR PROJECTS FUND] The general fund transfer is in fiscal year 2027 contingent on enactment of legislation of the second session of the fifty-seventh legislature creating the higher education major projects fund.	$300,000.0		$300,000.0	135
136	10	Higher Education Department	[LOTTERY TUITION FUND] The general fund transfer is in fiscal year 2027.	$56,000.0		$56,000.0	136
137	10	Computer System Enhancement Fund	[COMPUTER SYSTEM ENHANCEMENT FUND] The general fund transfer is in fiscal year 2027.	$30,000.0		$30,000.0	137
138	11	Department of Transportation	For heavy equipment.	$5,000.0		$5,000.0	138
139	11	Department of Transportation	For roadway maintenance.	$155,000.0		$155,000.0	139
140	11	Department of Transportation	For rural air service enhancement.	$12,500.0		$12,500.0	140

Special, Supplemental, Deficiency, and IT Appropriations

				LFC Recommendation			
	Sec.	Agency	Language	GF	Other	Total	
141	11	Department of Transportation	For the transportation project fund.	$155,000.0		$155,000.0	141

Statewide Totals

		LFC Recommendation		
		GF	Other	Total
5	Special Appropriations	$766,111.7	$178,944.5	**$945,056.2**
6	Supplemental Appropriations (FY26)	$21,108.5		**$21,108.5**
6	Deficiency Appropriations (FY26 for Prior Year Shortfalls)	$7,452.5		**$7,452.5**
6	***Section 6 Total***	***$28,561.0***		**$28,561.0**
7	Information Technology		$35,773.0	**$35,773.0**
9	Government Results and Opportunity Fund		$169,565.4	**$169,565.4**
10	Fund Transfers	$666,000.0	$123,604.0	**$789,604.0**
11	Transportation	$327,500.0		**$327,500.0**
	Grand Total	**$1,788,172.7**	**$507,886.9**	**$2,296,059.6**