

**Monday, April 27 ([click here for webcast](#))**

The following members and designees were present on Monday, April 27, 2026: Chairman Nathan P. Small; Representatives Meredith A. Dixon, Jack Chatfield, Debra M. Sarinana, Art De La Cruz, Harlan Vincent, Rebecca Dow, and Susan Herrera; and Senators Elizabeth “Liz” Stefanics, Roberto “Bobby” Gonzales, Pat Woods, William Sharer, Steve Lanier, Linda Trujillo, and Pete Campos. Guest legislators: Representatives Randall T. Pettigrew, Brian Baca, Mark Duncan, Charlotte Little, Joy Garratt, Joseph Franklin Hernandez, and Pamela Herndon.

**Program Evaluation Update: SNAP Administration and Performance (8:43 AM, [click here for meeting materials](#))**

LFC Director Charles Sallee briefed the committee on the FY27 post-session review and interim briefing that reflect a clear transition from a high-revenue growth period to a more constrained, sustainability-focused budget environment. Revenue growth, previously driven by oil production and wage gains, has plateaued and is projected to slow, with increasing reliance on more stable but slower-growing investment income from permanent funds rather than volatile oil and gas revenues. The Legislature adopted an \$11.2 billion recurring general fund budget, growing 3.1 percent, alongside historically large nonrecurring appropriations exceeding \$2.7 billion, signaling a shift toward moderate base growth while continuing significant one-time investments. Mr. Sallee stated budget priorities remained consistent with prior LFC frameworks, focusing on improving personal income, expanding access to healthcare, and enhancing quality of life, while maintaining strong reserves near 26 percent and emphasizing pilot programs and accountability mechanisms to test effectiveness before committing to recurring funding. Education and health and human services continue to dominate expenditures, with substantial growth across sectors since FY19, though key structural challenges persist, including declining student enrollment despite rising education spending and ongoing oversight needs for Medicaid access and outcomes. Major policy actions included the creation of a higher education capital fund, increases in school employee health coverage contributions, enhanced healthcare workforce incentives, and continued capital outlay reform, while the veto of disaster financing legislation leaves unresolved risks around emergency funding. Significant pressures are emerging in early childhood programs, particularly childcare assistance, where costs per child have risen sharply, and spending is projected to exceed appropriations, as well as in Medicaid, federal policy changes, and potential new recurring obligations from pilot programs and subsidies. At the same time, tax changes and earmarks are projected to reduce recurring revenues by over \$1 billion by the end of the decade, increasing long-term dependence on oil and gas and constraining general fund flexibility. Forward-looking scenarios indicate that, under modest revenue growth and continued spending pressures, the state faces narrowing surpluses and potential structural deficits, particularly if nonrecurring spending patterns and emerging liabilities persist, requiring greater prioritization, fewer but larger investments, and clearer decisions on which programs transition to the base budget.

**Solvency Playbook and General Fund Revenue Tracking (10:03 AM, [click here for meeting materials](#))**

LFC Chief Economist Ismael Torres briefed the committee on the solvency playbook and revenue tracking report, highlighting New Mexico’s ongoing challenges with highly volatile, oil-driven revenues that complicate long-term budgeting and necessitate reactive fiscal decisions,

underscoring the need for a structured, forward-looking framework to manage downturns. Entering FY26 and the 2026 session, revenue growth had flattened below historical trends while total spending approached or exceeded available revenues, contributing to draws on the operating reserve, the state's primary liquidity buffer, which has declined to levels below typical revenue forecasting error thresholds. Revenue tracking indicated potential shortfalls that could have required solvency actions, but subsequent increases in oil prices and a sharp rebound in corporate income tax collections shifted FY26 revenues to track approximately \$320 million, 2.4 percent, above forecast, providing near-term relief and an opportunity to plan outside of crisis conditions. Mr. Torres proposed a solvency playbook grounded in national best practices that sequences fiscal responses based on the severity and duration of downturns, beginning with technical fixes and use of liquid reserves, followed by reducing nonrecurring spending and sweeping idle funds, implementing temporary tax and earmark adjustments, and then drawing on rainy day funds concurrently with structural recurring fixes. More severe or prolonged deficits would require targeted recurring spending reductions, potential reforms to tax expenditures, and, as last-resort measures, use of trusts or broader spending cuts and program eliminations. The framework is guided by principles prioritizing core government functions, return on investment, federal leverage, and minimizing service disruption, and stress testing suggests reserves could cover a short-term downturn but not sustained imbalances. Mr. Torres emphasizes that while recent revenue strength has improved the outlook, structural risks, including revenue volatility, reserve composition, and growing liabilities, necessitate proactive planning to ensure fiscal stability during future downturns.

**Action Plan – Disengaged Youth (11:00 AM, [click here for meeting materials](#))**. LFC Program Evaluators Sarah Dinces, Ph.D., and Josh Chaffin briefed the committee on the 32 thousand disconnected youth ages 16 to 24 who are not in school, working, or training, contributing to New Mexico's low labor force participation rate and costing an estimated \$623 million annually in lost taxpayer revenue and up to \$1.2 billion in lost personal earnings. The report recommends reducing youth disconnection by 10 percent over three years, about 3,200 youth, which would bring New Mexico to the national average and return an estimated \$62 million annually while increasing youth earnings by about \$120 million. Existing programs receive about \$88.6 million across agencies but are fragmented, often do not target disconnected youth, and frequently lack outcome tracking, with workforce innovation and opportunity act youth serving very few youth who are out of school. The report recommends improving dropout referrals and closed-loop referrals across agencies, targeting workforce and education programs to disconnected youth, expanding evidence-based models like integrated education and training and certificate programs, addressing barriers such as housing and transportation, and creating a cross-agency accountability structure with shared goals, youth input, and regular reporting.

**Review 2026 Interim (1:44 PM, [click here for meeting materials](#))**. LFC Deputy Director Jon Courtney, Ph.D., and Deputy Director Rachel Mercer-Garcia, Ed.D., presented the draft interim work plans, outlining policy and program evaluation priorities for the coming year with a continued focus on improving healthcare, earned personal income, and quality of life, alongside a stronger emphasis on oversight and accountability for nonrecurring appropriations, government results and opportunity workforce (GROW) funding, and capital investments. They highlighted recurring reviews across all policy areas to ensure appropriations are producing intended outcomes and informing decisions on whether programs should transition to recurring funding. Major work

plan topics include fiscal solvency tools and revenue analysis, public education reform fund oversight, learning time, virtual education, and career technical education in public education, higher education funding formula reform and scholarship sustainability; Medicaid cost drivers, CYFD reform, juvenile justice, childcare assistance, and healthcare quality in health and communities; workforce participation and economic development outcomes; implementation of the Behavioral Health Reform and Investment Act; disaster preparedness, water funding, and Rio Grande Compact issues in natural resources; capital outlay reform and project oversight; compensation, risk management, transportation safety, and procurement policies; sunset reviews for boards and commissions; tribal housing investments; cybersecurity and major IT modernization projects; and oversight of state investments and pensions. Program evaluation staff also reviewed ongoing and upcoming evaluations, including SNAP administration, instructional learning time, emergency orders, the health insurance exchange, industrial revenue bonds, and public dashboards tracking GRO expenditures, while identifying additional projects for potential committee direction later in the interim.

### **Miscellaneous Business (2:28 PM).**

***Action Items.*** Senator Gonzales moved to adopt the LFC January 2026 meeting minutes, seconded by Representative Chatfield. The motion carried.

Representative Chatfield moved to adopt the LFC contracts, seconded by Senator Trujillo.

Senator Gonzales moved to adopt the LFC operating budget, seconded by Representative Dixon.

Senator Trujillo moved to adopt the LFC 2026 interim calendar, seconded by Representative Vincent.

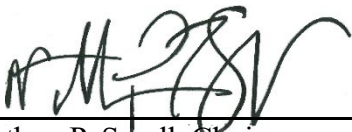
**Review of Monthly Financial Reports and Information Items.** LFC Director Charles Sallee briefed the committee on information items.

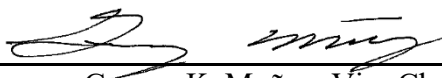
**Behavioral Health Costs and Utilization (2:39 PM, [click here for meeting materials](#)).** LFC Program Evaluator Matt Goodlaw reported Medicaid managed care behavioral health spending increased 47 percent, or roughly \$230 million, between 2023 and 2025 despite declining enrollment, driven by higher utilization and rising costs per service. Spending growth was concentrated on mental health treatment, substance use disorder treatment, community-based services, and applied behavioral analysis (ABA) services for autism, with ABA costs increasing 88 percent over the period. Legislators have increased recurring appropriations for Medicaid behavioral health to more than \$1.1 billion and appropriated nearly \$90 million for provider rate increases between FY24 and FY26. Mr. Goodlaw noted persistent concerns with provider access, network adequacy, and behavioral health outcomes, including overdose deaths remaining near pandemic highs. Mr. Goodlaw concluded fewer Medicaid enrollees are using more behavioral health services at higher costs and highlighted limited state access to integrated outcome data needed to evaluate long-term health and financial impacts.

**FY26 Q2 Report Cards (3:37 PM, [click here for meeting materials](#)).** LFC fiscal analyst Helen Gaussoin reported second-quarter FY26 performance ratings remained dominated by “yellow”

scores, indicating many agencies are close to but not meeting targets, while red ratings declined slightly due in part to missing General Services Department data. Strong performance continued at Energy, Minerals and Natural Resources Department, while courts and justice agencies declined from strong FY25 trends, Children, Youth and Families Department (CYFD) continued to struggle with child welfare and maltreatment measures, and the Health Care Authority remained largely stagnant despite substantial recent investments. Public school graduation rates exceeded the state's 80 percent target for the first time, though still below the national average, while higher education graduation rates improved modestly but continued to lag national benchmarks. Early Childhood Education and Care Department showed improvement in home visiting and childcare enrollment measures, but concerns remained regarding lower-income family participation and Comprehensive Addiction and Recovery Act family supports. CYFD continued reporting repeat maltreatment rates nearly twice the national average and persistent workforce turnover, although juvenile justice outcomes improved. Workforce participation challenges, unemployment insurance backlogs, delayed or at-risk IT projects, and continued underperformance in some economic development and film industry measures also remained concerns. Meanwhile, New Mexico's combined investment holdings surpassed \$100 billion, and pension fund performance exceeded long-term targets

With no further business, the meeting adjourned at 3: 50 p.m.

  
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Nathan P. Small, Chairman

  
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George K. Muñoz, Vice Chairman