



**Tuesday, October 14 ([click here for webcast](#))**

The following members and designees were present on Tuesday, October 14, 2025: Chairman Nathan P. Small; Vice Chairman George Muñoz; Representatives Meredith A. Dixon, Jack Chatfield, Joseph Sanchez, Harlan Vincent, Rebecca Dow, and Susan Herrera; and Senators Benny Shendo, Roberto “Bobby” J. Gonzales, David M. Gallegos, Steve D. Lanier, and Pete Campos. Guest legislators: Representatives Mark Duncan, Tara L. Lujan, Charlotte Little, and Pamelya Herndon. Senators Michael Padilla and Craig W. Brandt

**Public Education Reform Fund Update (8:38 AM, [click here for meeting materials](#))** LFC

Program Evaluator Sarah Dinces, Ph.D., Legislative Education Study Committee (LESC) Deputy Director Jessica Hathaway, and Department of Finance and Administration Department (DFA) Performance Analyst Simon Miller presented a joint presentation on the public education reform fund (PERF) and the implementation of recent legislative changes under Senate Bill 201. Ms. Dinces opened by explaining the presentation would review the purpose and design of PERF, which was restructured during the 2024 session into a targeted, multi-year investment fund for education initiatives. Ms. Dinces outlined that the new statute requires each PERF-funded initiative to undergo rigorous evaluation for its impact on teacher and student outcomes, emphasizing causal research where possible. Ms. Dinces explained that LFC, LESC, DFA, and the Public Education Department (PED) formed a coordinated evaluation team to assess the fund’s programs, identifying strengths, challenges, and opportunities for improvement.

Ms. Hathaway followed, noting that within just a few weeks of legislative adjournment, the agencies jointly issued evaluation instructions to PED by May 1 and received initial evaluation plans by July 1. Feedback from all three agencies was submitted by July 30, and PED revised and resubmitted its plans by September 1 to reflect those recommendations. Ms. Hathaway emphasized that PED had been responsive and engaged, participating in weekly office hours and committing to a more transparent evaluation process. Ms. Hathaway explained that the PERF model mirrors the state’s broader GRO (government results and opportunity fund) framework but is specific to education, creating sustained investments from FY26 to FY28 for local education agencies that agree to rigorous data collection and reporting. Ms. Hathaway detailed how the new law also allocates funding for evaluation itself and engages the research organization WestEd to assist in designing and conducting these studies.

Mr. Miller then provided the financial and programmatic overview, describing how PERF currently supports five key initiatives totaling about \$62 million in nonrecurring general fund appropriations, attendance improvement, secondary literacy, math achievement, innovative staffing strategies, and support for unhoused students. Mr. Miller clarified that, unlike some state funds, PERF has no dedicated revenue source and relies on annual legislative appropriations. Mr. Miller noted that while these five programs represent a small portion of total education spending, they are unique in being tied to strict evaluation standards required under Senate Bill 201. Mr. Miller walked the committee through the timeline for evaluation deliverables, with initial updates due November 2025 and final reports by September 2027 and explained that education agencies participating in PERF initiatives would receive recurring funding for three years to ensure program continuity and reliable measurement of outcomes.

The panel outlined the five PERF initiatives, including programs to reduce absenteeism, improve secondary literacy through training and AI tutoring, enhance math achievement with algebra support and teacher micro-credentials, test innovative staffing models to boost teacher retention, and provide stipends and counseling for unhoused students. They noted challenges, such as tight timelines and final evaluations occurring while programs are still active, which may limit assessment of full impacts. Despite these issues, they emphasized the initiative has strengthened collaboration among agencies, advanced data-driven education reform, and laid a strong foundation for lasting improvements in teacher and student outcomes statewide.

**Public Schools Budget Preview (10:11 AM, [click here for meeting materials](#))** LFC Fiscal Analyst Sunny Liu presented a summary of the Public Education Department's (PED) budget request. The request reflects a 2 percent overall increase, about \$88 million, but excludes compensation and insurance costs, which are expected to be added in a later revision this fall. Mr. Liu explained the budget preview highlights the department's priorities and provides context for evaluating whether recent investments in public schools are producing desired results. This includes data on student performance measures, such as national NAEP scores, state MESA assessments, graduation and chronic absenteeism rates, and college remediation rates, key indicators also used by the court in the *Martinez–Yazzie* education adequacy case. Mr. Liu added that the committee materials also summarize portions of the current *Martinez–Yazzie* Action Plan in which the Legislature is identified as the responsible party, along with other components that may carry significant fiscal impacts even though cost estimates are not yet included.

Public Education Secretary Mariana Padilla outlined improved literacy results and the FY27 plan, noting reading proficiency in grades three to eight has risen 10 points since 2022, especially among Native American and English learner students, driven by statewide structured literacy training for 6,000+ teachers. The FY27 budget shows a 1.2 percent decrease but excludes compensation and insurance, approximately 3.85 percent, pending updates, and shifts more items to recurring funding. Ms. Padilla detailed workforce pipelines and requested \$47.4 million for student nutrition, \$24.8 million for accountability systems, and \$26 million for academic support, plus added math/STEM and special education investments. Ms. Padilla previewed the three-year *Martinez–Yazzie* Action Plan, built through extensive stakeholder input with WestEd and the Legislative Education Study Committee. The plan is focused on high-quality instruction, well-prepared culturally responsive educators, student supports, and funding and accountability, including legislation for early literacy and math screening, universal high quality instructional materials, expanded prekindergarten, special education improvements, and teaching English to speakers of other languages. Cross-agency efforts include partnering with the Workforce Solutions Department to bolster support for unhoused students in Albuquerque, Santa Fe, and Las Cruces. Ms. Padilla emphasized transparency via a revamped accreditation and monitoring system for at-risk and special education funds.

**Veteran Services Department (1:30 PM, [click here for meeting materials](#))** Veterans' Services Department Secretary Brigadier General Jamison Herrera presented an overview of the department's statewide operations, accomplishments, and FY27 budget request. The Veterans' Services Department oversees veterans' benefits, healthcare coordination, suicide prevention, education, transportation, and outreach, as well as manages four state veterans cemeteries, three

of which recently received top national ratings from the U.S. Department of Veterans Affairs, and is preparing to open the new Taos facility. Following legislation, such as House Bills 47 and 161, the agency has processed record numbers of tax exemptions and state park passes for veterans. It also expanded transportation and healthcare coordination, securing federal and state grants to serve rural and tribal communities. The department's outreach, including suicide prevention campaigns, mobile service units, and partnerships with tribal and women veterans' programs, has improved access to benefits and reduced service gaps. Recognized nationally for its veteran business outreach and retention of qualified service officers, Secretary Herrera emphasized staff stability and competitive pay are priorities. For FY27, the department requested \$1.1 million to stabilize its operations budget, plus additional funds for suicide prevention, mobile unit operations, homelessness support, outreach, transportation, and cemetery operations in Taos. Secretary Herrera stressed that maintaining trained personnel and stable funding is essential to continuing high-quality services for New Mexico's veterans statewide.

**Attorney General (2:23 PM, [click here for meeting materials](#))** Attorney General Chief Deputy James Grayson spoke on behalf of the attorney general, who was unable to attend due to illness, to brief the committee on the department's growing legal workload and funding needs. Mr. Grayson explained New Mexico is currently involved in over 30 active lawsuits against the federal government, an unprecedented level of litigation aimed at protecting billions of dollars in federal funds vital to state programs. The Attorney General's Office established a new Impact Litigation Team, consisting of six senior litigators and three honors attorneys, to manage these complex cases. The need for this team stems from a recent U.S. Supreme Court decision limiting nationwide injunctions, meaning New Mexico must now be a direct party in lawsuits to secure relief. Mr. Grayson cited one major case in which the department helped prevent the loss of \$12 billion in federal funding through a successful preliminary injunction.

Chief Special Counsel to the Attorney General, Adolfo Mendez, explained the Attorney General workload has grown significantly due to numerous ongoing and appellate cases, particularly those managed by the newly formed Impact Litigation Team. Mr. Mendez outlined the department's budget request to access up to 21 percent of the consumer settlement fund, approximately \$11.8 million more than last year, to fund personnel and support litigation needs without drawing from the state's general fund. Since 2023, the department has deposited more than \$350 million into this fund, which originates from legal settlements benefiting New Mexicans. Mr. Mendez emphasized that reinvesting a portion of these funds would sustain the department's critical work, including consumer protection, environmental and government accountability efforts, and statewide criminal prosecutions. Mr. Mendez noted the proposed increase is primarily for personnel, with flat funding for other categories, and even without new settlements, the consumer settlement fund balance is sufficient to support operations through FY30. Mr. Mendez added other states are making similar investments in their attorney's general offices to meet rising litigation demands.

**State Auditor (2:40 PM, [click here for meeting materials](#))** State Auditor Joseph Maestas presented the Office of the State Auditor's (OSA) FY27 budget priorities, staffing challenges, and recent accomplishments. Mr. Maestas explained the agency's request for a \$940,726 increase in personnel funding to address pay inequities and align auditor salaries to market levels after the statewide compensation study excluded audit positions. The office faces a 24 percent vacancy rate, particularly in its Financial Audit Division, and seeks to expand its internship program to strengthen the pipeline of future certified public accountants amid a nationwide accountant

shortage. Additional requests include funding for the required peer review, IT system upgrades to improve the OSA Connect portal, and investments in artificial intelligence to streamline audit review processes. OSA is also requesting \$1 million to continue the Small Local Public Body Assistance Program and \$750 thousand for compensation and classification study, noting the importance of supporting small municipalities struggling with audit completion. Mr. Maestas highlighted concerns over a sharp rise in late audits, due to a shrinking accounting workforce and delayed federal guidance affecting single audits. Mr. Maestas cited key accomplishments, such as interventions at Mesalands Community College, investigations into Western New Mexico University, audits of statewide financial systems like SHARE, and ongoing reviews of agency appropriations. Looking ahead, OSA plans to institutionalize the small public body program, expand partnerships with auditors and local governments, and modernize operations through AI and organizational restructuring to ensure accountability and transparency across New Mexico's public entities.

**Lieutenant Governor (3:18 PM, [click here for meeting materials](#))** Lieutenant Governor Howie Morales emphasized his office's commitment to efficiency, accessibility, and fiscal responsibility, while highlighting successful partnerships with other agencies to deliver initiatives like the Safe Schools Summit and after-school programs at minimal cost. The lieutenant governor requested a 7.9 percent budget increase (about \$68.2 thousand) to adjust staff salaries, explaining that his small team has remained unchanged since he took office and deserves compensation aligned with comparable state positions.

**Governor (3:24 PM, [click here for meeting materials](#))** Chief Financial Officer for the Office of the Governor and the Office of the Lieutenant Governor, Cindy Montoya, presented the FY27 budget request of \$7.5 million, outlining that most of the funding supports personnel, constituent services, policy development, and community outreach. Ms. Montoya noted the 7.7 percent increase, about \$539 thousand, from FY26 is driven entirely by mandatory cost adjustments, including higher liability and healthcare rates, audit costs, and IT obligations. Ms. Montoya emphasized the request reflects operational needs rather than program expansion and ensures continued support for thousands of constituent inquiries handled daily across state and federal agencies.

**State Land Office (3:31 PM, [click here for meeting materials](#))** Deputy Commissioner Sunalei Stewart presented the State Land Office's FY27 budget request on behalf of the Commissioner, highlighting another strong year of performance with \$2.5 billion in total revenue, the second-highest in state history. The agency continues to expand renewable energy projects, protect key landscapes like the Caja del Rio and Pecos watershed, and partner with federal and conservation groups to preserve over 60 thousand acres near White Sands. Mr. Stewart emphasized the office's clean financial audits, low 6 percent vacancy rate, and growing non-royalty revenue, projected at \$559 million, largely from record oil and gas lease sales despite increased royalty rates. The \$1.8 million budget request, a 6 percent increase, is self-funded from earnings rather than the general fund and includes three new positions, an additional forester to manage nine million acres of land, an economic development manager to support housing and special projects like affordable housing developments in Las Cruces and Albuquerque, and a petroleum engineer to oversee commingling operations that improve efficiency and environmental management. Mr. Stewart concluded the agency continues to demonstrate fiscal responsibility, efficient use of resources, and alignment

with legislative expectations for transparency and performance.

**Wednesday, October 15** ([click here for webcast](#))

The following members and designees were present on Wednesday October 15, 2025: Chairman Nathan P. Small; Vice Chairman George Muñoz; Representatives Meredith A. Dixon, Jack Chatfield, Joseph Sanchez, Harlan Vincent, and Rebecca Dow; and Senators Benny Shendo, Roberto “Bobby” J. Gonzales, David M. Gallegos, Steve D. Lanier, and Pete Campos. Guest legislators: Representatives Mark Duncan, Tara L. Lujan, Charlotte Little, and Pamelya Herndon; and Senators Micheal Padilla and Craig W. Brandt

**Federal Funds Update** ([8:38 AM, click here for meeting materials](#)) LFC Director Charles Sallee explained the federal government is running a \$1.9 trillion annual deficit, meaning even a \$30 billion change in spending or savings is minimal in comparison. Much of the deficit stems from mandatory programs like Social Security and Medicare, which automatically pay out benefits and now consume the largest share of spending, with interest on the national debt reaching \$881 billion, nearly 3 percent of GDP, surpassing Medicaid costs. Revenues come primarily from federal income taxes paid by top earners, and modest tax cuts for middle-income earners contribute little to overall revenue. Tariffs and fees add relatively little. Even eliminating all discretionary or defense spending would not erase the deficit. Mr. Sallee noted concerns about the PAYGO law, which could trigger across-the-board federal cuts, including to Medicare and mineral leasing payments that significantly benefit New Mexico, if Congress fails to suspend it. Mr. Sallee also discussed the federal shutdown’s impact, particularly the possibility that SNAP funds could run out by November, and how delayed spending reductions and new work requirements for Medicaid and SNAP could affect future state budgets. The special session appropriations were designed to backfill programs affected by federal changes, expand rural healthcare, and sustain premium subsidies for individuals up to 400 percent of the poverty level.

**Health Care Authority** ([9:12 AM, click here for meeting materials](#))

Health Care Authority Secretary Kari Armijo introduced the divisions under discussion, State Employee Health Benefits, the Healthcare Affordability Fund, and the Division of Health Improvement, along with an overview of FY27 budget requests. Ms. Armijo noted the agency’s mission to ensure accessible, high-quality, cost-effective healthcare and outlined recent progress, including a sharp drop in vacancy rates, cost-saving reforms to employee health benefits, record enrollment in Be Well New Mexico, and major compliance and safety improvements across licensed healthcare facilities. Ms. Armijo warned that a potential federal shutdown could halt SNAP benefits for 1,700 retailers statewide, though Medicaid and the children’s health insurance program remain unaffected. The agency’s FY27 budget totals \$15 billion (85 percent federal), with \$2.2 billion from the general fund and key expansions to offset federal cuts, raise provider rates, and sustain affordability initiatives. Priorities include stabilizing the state employee health fund, protecting coverage for tens of thousands of New Mexicans facing federal subsidy losses, strengthening hospital oversight under the state Comprehensive Addiction and Recovery Act, assuming licensure of children’s facilities from Children, Youth and Families Department, and improving safety in boarding homes through new standards and infrastructure grants. Ms. Armijo emphasized fiscal sustainability, expanded healthcare access, and enhanced protections for vulnerable residents.

**State Investment Council (377)** ([10:02 AM, click here for meeting materials](#)) LFC Economist

Brendon Gray presented an overview of the State Investment Council's (SIC) role as a key revenue source for New Mexico's general fund, noting the agency manages \$64 billion in assets, with \$56 billion in long-term permanent funds that directly support state programs. Mr. Gray explained SIC distributions fund about two-thirds of early childhood programs, roughly a third of public school education, and about 16 percent of the total general fund, making its performance critical to the state's fiscal outlook. Mr. Gray highlighted projections showing that by FY43, investment income is expected to surpass gross receipts tax revenue as the state's largest source of general fund revenue, largely due to legislative investments in the severance tax permanent fund. Mr. Gray cautioned the fund has missed its performance targets for 12 straight quarters and currently ranks among the worst-performing large funds nationally, primarily because of below-market investments in programs like the Small Business Loan Recovery Program, the Small Business Investment Corporation, and the New Mexico Private Equity Investment Program. Mr. Gray noted recent policy changes now require market-rate returns across the private equity portfolio, which should gradually improve performance and help close the long-term gap between the severance tax and land grant permanent funds, potentially recovering billions in lost growth over time.

State Investment Officer Jon Clark outlined the agency's history, structure, and expanding role as a cornerstone of New Mexico's long-term financial stability. The SIC now manages \$67 billion across 14 legislatively created funds and anticipates reaching \$100 billion by 2032, potentially becoming the largest sovereign wealth fund in the United States. Its investments already return \$2.6 billion annually to the state, funding public schools, higher education, and early childhood programs, and are projected to reach \$10 billion per year by 2050. Recent legislative actions, particularly Senate Bill 26 (2023), transformed volatile oil-and-gas revenues into a stable, long-term funding source, expected to remove more than half of the state's revenue instability. Mr. Clark emphasized the importance of hitting investment return targets, which depend on sufficient staffing to manage rapid growth in complex private-market investments. Despite dramatic increases in assets, the agency remains understaffed at less than half its peers, creating burnout. To sustain returns and meet fiduciary duties, SIC requested a FY27 budget of \$106.7 million, a significant increase to expand staff and contractual capacity for investment management. Mr. Clark also highlighted reforms to the New Mexico-focused venture capital program, shifting from below-market to market-rate investments that now yield positive returns while attracting major clean-energy and technology projects, positioning New Mexico for both strong fiscal returns and statewide economic growth.

**Mortgage Finance Authority (12:15 PM, [click here for meeting materials](#))** Mortgage Finance Authority Director Isidoro Hernnadez focused on housing trust fund (HTF) results and plans. HTF activities serve households earning up to 150 percent of the area median income and generate program income. For FY27, the board will seek \$135 million, the amount that can be deployed in 12–15 months, to aid at least 5,200 families, with a statutory 3:1 leverage that the portfolio is exceeding. Recent accomplishments include down payment assistance, Energy Smart weatherization, rural home improvement direct-service pilots, the Restoring Our Communities (ROC) infill rehab program, rental development and preservation, and single-family development. A flexible housing innovation bucket supports efforts like Saranam's two-year stability program. Of the FY26 approximately \$45 million allocation, over half is already awarded, encumbrance is 100 percent and awards approximately 83 percent. Awards span 53 agencies in 17 counties. Based on a suggestion by Senator Muñoz, the agency is looking at a 3 percent mortgage pilot that would

use \$200 million to help 700 plus families by lowering payments by approximately \$400 to \$500 on a \$260 thousand home and reducing qualifying income to approximately \$65 thousand, with projected repayments of approximately \$12 million in year two and approximately \$16 million in year three.

**New Mexico Finance Authority** ([12:40 PM, click here for meeting materials](#)) New Mexico Finance Authority (NMFA) CEO Marquita Russell briefed the committee on the agency's structure, operations, and current initiatives, highlighting its expanding workload and focus on efficiency. Governed by an 11-member board and overseen by a 24-member legislative committee, NMFA manages 25 programs under 13 statutes and administers keyboards like the Water Trust, Colonias Infrastructure, and Opportunity Enterprise and Housing Development boards. Ms. Russell noted that NMFA has seen a 250 percent revenue increase and 10 new programs since prepandemic, prompting modernization efforts through the Integrated Business Application Project to streamline data systems, reduce manual processes, and improve accuracy. Ms. Russell emphasized progress in the Opportunity Enterprise and Housing Development programs, which fund commercial and workforce housing projects, both for-sale and rental, with over \$240 million in total capitalization. Notable investments include projects in Santa Fe, Albuquerque, Taos, and Alamogordo, with terms aimed at catalyzing below-market housing and non-owner-occupied commercial growth. Ms. Russell also detailed NMFA's leadership of the Water Trust Board, which received 114 project applications totaling \$525 million, far exceeding available funds, and its new technical assistance program to help small water systems develop engineering plans and improve readiness. Ms. Russell mentioned NMFA's coordination with the Interstate Stream Commission on the New Mexico Unit Fund pilot, supporting regional water planning and infrastructure development, with construction funding expected to open in 2025.

**Tourism Department (418)** ([1:22 PM, click here for meeting materials](#)) Acting Tourism Secretary Lansing Adams reported another record year for New Mexico tourism in 2024, with \$12 billion in economic impact, 95 thousand jobs, \$838 million in tax revenue, 2.7 percent growth in visitor spending, 1.8 percent higher visitation, and a strong rebound in international travel ahead of the Route 66 Centennial. The department has 61 authorized FTE, 8.2 percent of which are vacant. The Tourism Department funded 42 events with \$500 thousand, 16 Destination Forward infrastructure projects with \$1.9 million, and Clean and Beautiful projects in 71 communities with \$1.1 million. Special appropriations supported an \$18 million marketing and anti-litter effort, the Route 66 initiative, \$400 thousand for Connie Mack, \$2 million for the Marketing Center of Excellence, \$8 million for the Roswell air races, \$1 million for the Las Cruces Air Show, \$300 thousand for Special Olympics, and other items. For 27, the agency seeks a modest 0.63 percent operations increase and \$18 million in special appropriations for statewide marketing, Destination Forward, a Marketing Center, and support for Special Olympics.

**Thursday, October 16** ([click here for webcast](#))

The following members and designees were present on Thursday October 16, 2025: Chairman Nathan P. Small; Vice Chairman George Muñoz; Representatives Meredith A. Dixon, Jack Chatfield, Harlan Vincent, Rebecca Dow, and Susan Herrera; and Senators Benny Shendo, Roberto "Bobby" J. Gonzales, Linda Trujillo, Steve D. Lanier, and Pete Campos. Guest legislators: Representatives Mark Duncan, Tara L. Lujan, Charlotte Little, and Pamelya Herndon. Senators Michael Padilla, and Craig W. Brandt.

**Capital Outlay Requests (8:08 AM, [click here for meeting materials](#))** LFC Fiscal Analyst Cally Carswell provided an overview of statewide capital requests now under early review, noting that agency submissions arrived only 10 days ago and many details remain pending. Current requests for state agencies, higher education, and judicial entities exceed \$2 billion, far surpassing available bond capacity of about \$858 million, and do not yet include the much larger volume of expected local government funding requests. Major requests include continuing funding for previously approved projects, such as the executive office building in Santa Fe, the Behavioral Health Institute in Las Vegas, and state public safety radio upgrades, as well as increased funding needs for the Department of Public Safety's Albuquerque administrative complex due to expanded scope. Ms. Carswell also highlighted funding pressures, limited readiness for some projects, and the likelihood that large initiatives will need to be phased over time. Additional statewide requests focus on state parks, agency office space, flexible funding pools, and support for local infrastructure including courthouses, senior centers, and public safety facilities. Higher education institutions are seeking more than \$1 billion in improvements, with the Higher Education Department recommending roughly \$789 million, including substantial investment in University of New Mexico's School of Medicine, and expanded funding for libraries across the state.

**Preview of Special Appropriations (9:07AM, [click here for meeting materials](#))** LFC Fiscal Analyst Joseph Simon gave an overview to the committee about how special appropriations are organized in the back of House Bill 2, covering several types of one-time spending, special appropriations for the current and next fiscal year, supplemental funding to address shortfalls in agency operating budgets, three-year government results and opportunity (GRO) pilot program appropriations, fund transfers to other dedicated state funds, and multi-year transportation appropriations for large infrastructure projects. So far, agencies have requested a combined \$2.7 billion in nonrecurring funding, including \$1.85 billion from the general fund and \$825 million for GRO initiatives, requests that significantly exceed the estimated \$166 million available for GRO distribution next year. Mr. Simon emphasized the need for caution, noting that nonrecurring revenue available in FY26 and FY27 is shrinking due to recent large appropriations, and warned against using special appropriations to support ongoing operational costs that could leave agencies expecting future funding that may not exist. Major requests span IT upgrades, court modernization, economic development incentives, including large federal match proposals, healthcare affordability, public safety facilities, transportation infrastructure, and workforce development programs. The committee will continue to refine and vet these items, with more supplemental requests expected later this month and future opportunities to review agency details throughout the budget cycle.

**Status of Nonrecurring Appropriations (10:05AM, [click here for meeting materials](#))** LFC Deputy Director of Evaluation Rachel Garcia and Program Evaluator Josh Chaffin briefed the committee on the Government Results and Opportunity (GRO) Program, which funds pilot initiatives to test promising agency practices before moving them into recurring budgets. Since its creation through House Bill 196 in 2024, the Legislature has allocated more than \$200 million for 16 pilot projects and another \$100 million for legislator-directed initiatives, now tracked through an online dashboard that will be updated quarterly. Initial results show agencies are increasingly spending and encumbering funds in FY26, though nearly 19 percent of FY25 pilot dollars went unspent, mainly at the Children, Youth and Families, Early Childhood Education and Care, and Aging and Long-Term Services departments. Early evaluation planning is underway, with

agencies developing logic models and output measures, but many still lack rigorous designs like control groups or clear plans to share results. The shift to channeling local junior appropriations through regional councils of government has improved oversight and reduced reversions, but contracting delays, procurement guidance, and cash-flow support remain areas for improvement. GRO is increasing accountability and providing better tools to understand program impact, but legislators may want to set stronger expectations for evaluation and performance tracking as the program matures.

### **Miscellaneous Business (10:56 AM)**

**Action Items.** Senator Gonzales moved to adopt the LFC September 2025 meeting minutes, seconded by Representative Chatfield and Representative Dixon. The motion carried.

Senator Gonzales moved to adopt the LFC September subcommittee 2025 meeting minutes, seconded by Representative Chatfield and Representative Dixon. The motion carried.

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

**State Personnel Office (378) [\(10:57AM, click here for meeting materials\)](#)** LFC Analyst Joseph Simon briefed the committee on the State Personnel Office, which is requesting a \$454 thousand, or 9.2 percent, budget increase for FY27. Most of the increase is tied to higher personnel costs caused by the state covering 80 percent of employee insurance, rising health insurance premiums, and increased liability insurance rates. The request also includes \$160 thousand for an IT services contract to improve processing of personnel actions. The agency is shifting some funds from other costs into the contracts category and is carrying that change forward into FY27.

State Personnel Office Director Dylan Lange also presented the FY27 budget request for State Personnel Office (SPO), which focuses on rising operational costs and a major investment in a new online portal to improve transparency and speed of personnel actions across agencies. Mr. Lange also highlighted a separate request of about \$500 thousand to support 50 paid interns who would work in various state agencies through SPO's structured internship program, which includes coursework, mentorship, and a certificate that counts toward minimum qualifications for state employment. Mr. Lange emphasized the strong demand for internships, with roughly 500 interested applicants, and noted the office's improved budget management, reverting only \$37 thousand last year.

**Regulation and Licensing Department (420) [\(11:29 AM, click here for meeting materials\)](#)** Regulation and Licensing Department (RLD) Superintendent Clay Bailey provided an overview of the agency's eight divisions and funding structure, noting a 22 percent vacancy rate and appreciation for legislative action during the special session that resolved earlier budget challenges. For FY27, RLD is requesting a 3.5 percent overall increase and an additional \$10 million in general fund support to stabilize operations previously reliant on the depleted Mortgage Regulatory Fund, particularly for divisions like Financial Institutions, Securities, and Manufactured Housing. Mr. Bailey emphasized that these increases largely reflect unavoidable rising costs for compensation, healthcare, and state service fees, not program expansions, with only one new staff position requested. Mr. Bailey highlighted critical needs in inspections,

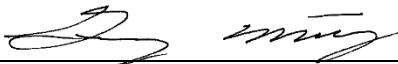
cannabis enforcement staffing, and support for divisions that return significant revenue to the state, stressing that the requested funding is essential to maintain operations and protect consumers across the state.

With no further business, the meeting adjourned at 11: 57 a.m.



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Nathan P. Small, Chairman



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George K. Muñoz, Vice Chairman