



# LFC Newsletter

A publication of the Legislative Finance Committee

Senator George Muñoz, Chairman  
Representative Nathan Small, Vice Chairman  
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## From the Chairman Balance

On average, state agencies, not including colleges and public schools, asked for 18 percent more from the state general fund for the budget year that starts next July.

For the most part, the committee will recommend substantially less.

It's not that the committee outright rejects the agencies' rationale for the increases, but our responsibility is very different than theirs. While agency managers have just one thing to worry about—their agency—the committee has to work on the whole of state government. We must balance diversifying the economy with educating children, building roads with addressing critical behavioral healthcare needs, patrolling highways with securing our state's water future. We are tasked with making these hard decisions all while ensuring we deliver a balanced budget.

We also have to look far beyond the next fiscal year. Decisions we make this year will resonate in future decades. For example, the tax changes we have made over the last few years will essentially provide \$1.1 billion in tax cuts and exemptions in fiscal years 2026 and 2027. Those were approved with the deliberate intent to help the people of New Mexico after the pandemic, but that is money that isn't coming into state coffers. Now more than ever, we must be very targeted in our investments and very calculating in our fiduciary responsibility to continue to insulate the people of New Mexico from the worst impacts of an economic downturn.

When the committee meets in November, along with hearing agency budget requests, we will hear from other interim legislative committees on their activities, including their priorities for the legislative session that starts in January. The crucial work of these committees provides us with valuable information and perspectives that we will use to support our budget balancing act.

Unsurprisingly, the committee's budget deliberations attract criticism from all sides. But while we might not give agencies or the other interim committees everything they ask for, we fully recognize they are—as we are—committed to providing New Mexicans with crucial services and opportunities.

We value the energy and time that every agency puts into a budget request and seriously consider all concerns as we build a single budget focused on the future of our state and its people.

**Senator George Muñoz**  
Chairman

## HCA Request for \$256M Almost All for Medicaid

The Health Care Authority is asking for \$256 million more from the state general fund for FY26, a 12.8 percent increase nearly all for Medicaid programs, LFC analysis shows.

In a [preview](#) of the request presented by the agency and LFC staff during the September meeting, staff reported the department is asking for \$2.25 billion from the general fund for next fiscal year to cover current expenses and healthcare inflation, enrollment growth, a reduction in federal matching dollars, and payment increases for healthcare providers.

The agency, with a general fund budget of \$1.99 billion for the current fiscal year, trails only public schools in the size of its general fund appropriation and, at a total budget of \$12.19 billion, has the largest budget in state government when federal funds are included.

The department's general fund request for FY26 includes \$230 million more for its three Medicaid programs—Medical Assistance, Developmental Disabilities Supports, and Medicaid Behavioral Health—for a 7.8 percent increase in state support from FY25.

The Health Care Authority is asking

for a full year of funding for higher rates for maternal and child health and physical health providers, set to increase to 150 percent of the Medicare rates in January. The department has enough funding for the increases for half this year but would need an increase of almost \$40 million to maintain the rates for a full year.

The agency is asking for about \$6 million more from the general fund to continue higher rates for Medicaid Behavioral Health—the committee is [scheduled](#) to hear about behavioral health needs and services gaps at 1 p.m. November 18—and \$30 million for additional clients expected to sign up for developmental disabilities supports.

The request also includes \$40 million for healthcare inflation and \$11 million to cover the loss of federal funds because of a decline in the [federal matching rate](#) for New Mexico.

The department's request for general fund revenue for its seven non-Medicaid programs, including the program that oversees federally funded food and cash assistance for poor families, totals about \$26.3 million.

## Efforts to Boost Labor Force Fall Short

State efforts to bring disengaged adults into the workforce have helped but are not making enough of a difference to substantially improve New Mexico's low labor force participation, LFC analysis indicates.

A LegisStat hearing on improving the share of working-age adults working or looking for work—the labor force participation rate—is on the agenda as part of a hearing with the Workforce Solutions Department scheduled for 8 a.m. November 22. LegisStat hearings focus on solutions to a specific issue.

The department received two \$5 million appropriations in FY23 to address youth unemployment and implement case managements for adults.

To help youth and young adults find jobs, the department has focused on a pre-apprenticeship program that provides paid internships and a career exploration program, Be Pro Be Proud, which attempts to engage middle and high school students in welding, elec-

tronics, and other trades through a bus that houses trade simulations.

However, LFC staff notes, the pre-apprenticeship program might duplicate programs in the public schools, which received \$45 million this year for career and technical education and internships.

In addition, LFC staff analysis suggests additional money for apprenticeship programs will result in few additional apprentices in FY25.

The department will receive \$5 million this year and next and \$3 million in subsequent years from a newly created \$30 million fund; however, the department reports most of the new funding will be used to increase apprentice pay, which has dropped as the number of apprentices has grown.

While New Mexico's unemployment rate has recovered to prepandemic levels, the labor participation rate was 58 percent, meaning about 42 percent of working age adults are not engaged.

# Little Spent on 500 Projects Set to Expire in June

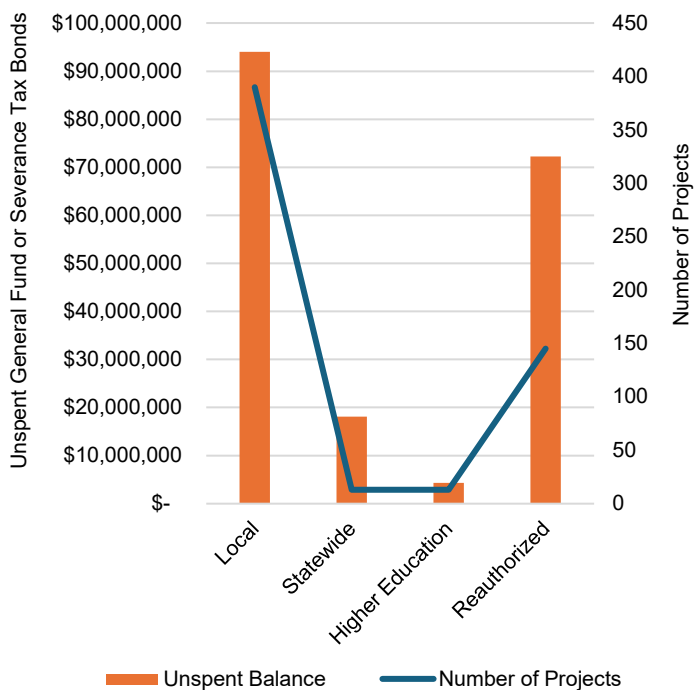
Little to none of the appropriations for more than 500 capital appropriations set to revert in June 2025 had been spent at the end of the first quarter of the fiscal year and had unspent balances totaling \$189 million, LFC staff reports.

The 561 projects funded from the general fund or with severance tax bond proceeds carried balances equal to 90 percent to 100 percent of the original appropriations.

Nearly 400 of the expiring appropriations with unspent balances of at least 90 percent were for local projects, with balances totaling \$94 million. Projects that had been reauthorized at least once were the next largest category, with 145 appropriations totaling \$72 million.

Eighty-five percent of the 561 projects—with appropriations totaling nearly \$123 million—had not recorded any expenditures, indicating little to no activity on the projects since funds were appropriated two to four years ago.

## Expiring Projects With High Unspent Balances



Source: Capital Projects Monitoring System

## On the Table

### Oil Production at Record High

New Mexico broke its own record for barrels of oil produced per day in August, with an average of 2.12 million. New Mexico production surpassed 2 million barrels per day in March and remained above that threshold through August.

### NM Third in Fed Grants

New Mexico received the third highest per capita amount in federal grant funding to the states in the 2023 federal fiscal year, the Federal Funds Information for States reports. Based on analysts of 200 formula grants accounting for about 90 percent of federal grant funding, New Mexico received about \$6,390 per person, compared with a national average of \$2,779. The calculation includes Medicaid, pandemic assistance, and infrastructure funds but not Supplemental Nutritional Assistance Program funds or Pell grants.

### Social Worker Program Enrollment Up

New Mexico's four social worker education programs report they anticipate enrollment in bachelor's and master's degree programs to increase by 18 percent by the 2027-2028 academic year. Legislative action over the past few years has increased funding for the programs by about 50 percent.

### Health Benefits Fund Short \$73M

The Health Care Authority is projecting a \$73 million shortfall in the state health benefits plan for FY25. Although a 10 percent increase in premiums is expected to generate almost \$85 million, costs are expected to increase by \$97 million, and the program, which the authority took over in July, has a structural deficit from an administrative decision to keep premiums flat even as expenses were growing. The most significant expense driver for FY25 was a 25 percent increase in pharmaceutical costs, with much of that increase coming from popular weight loss drugs.

### Medicaid Home Visiting Enrollment Up

The Early Childhood Education and Care Department reported an increase in the number of families participating in the Medicaid-funded home visiting program of supports for new families. The department reported 727 families enrolled at the end of FY24, up from 402 at the close of the previous fiscal year. Increasing enrollment in the program has been a focus for the Legislative Finance Committee.

### NM Private Job Growth Strong

New Mexico's private job growth of 1.5 percent in September was 17th highest in the nation and beat out regional peers Utah and Colorado, although it was slightly behind Arizona and Texas. New Mexico had the sixth fastest employment growth in the manufacturing industry, outpacing regional peers by about 2 percentage points on average.

### Birth-Rate Decline Slows

The decline in the state's birth rate slowed in 2023, the Department of Health reports. The birth rate declined 0.7 percent between 2022 and 2023 after declining an average of 2.25 percent for the previous five years. Birth rates in New Mexico have been declining since at least 2010, when the state had 27.2 thousand births compared with 21 thousand in 2023.

### Transitions

The National Legislative Program Evaluation Society has awarded LFC a certificate of impact for its October 2023 evaluation on implementation of the Comprehensive Addiction and Recovery Act. LFC Deputy Director Micaela Fischer was also elected secretary of the society's executive steering committee.

Isaac Romero, a former LFC analyst, was named the Economic Development Department's deputy secretary. The department has not had a deputy secretary since July 2023.



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