Volume 1

New Mexico Legislative Finance Committee

Report to the Fifty-Seventh Legislature, First Session

LEGISLATING FOR RESULTS: POLICY AND PERFORMANCE ANALYSIS

January 2025 for the 2026 Fiscal Year

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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 2026 budget recommendation of the Legislative Finance Committee is provided to you.

This year's budget recommendation reflects the state's success in moderating revenue volatility while increasing growth. The recommendation of $10.8 billion in recurring general fund spending for the 2025-2026 fiscal year is a 5.7 percent increase over the 2024-2025 fiscal year that continues the committee's approach of both investing in the well-being of New Mexicans today and their potential for tomorrow and builds on financial approaches that will allow us to continue to capitalize on the revenue growth of the last few years for generations. The committee's interim work was focused on boosting per capita earnings, healthcare access, and quality of life and that is reflected in this recommendation.

The committee recommends $4.69 billion in recurring general funds for public education, a 6 percent increase from FY25. For higher education, the committee recommends an increase of almost 3 percent to bring the total general funds appropriations to $1.4 billion. In early childhood, the committee is recommending new spending on maternal and infant health services, childcare quality improvements, prekindergarten expansion, and a doula certification program.

A 4 percent increase in general fund revenue for the Health Care Authority, a $79 million increase for a total over $2 billion, reflects the ongoing implementation of higher payment rates for healthcare providers in the Medicaid program intended to increase access for all New Mexicans. Total revenue for the department would increase by 23 percent, primarily because of hospital payments that are collected, matched with federal Medicaid dollars, and redistributed to hospitals.

The recommendation also includes $271.5 million from the general fund for a 4 percent average pay increase employees of state agencies, the public schools, and the state colleges and universities, as well as $1.46 billion for special, supplemental, and deficiency appropriations; $1.7 billion in transfers among funds; and $341 million for the government results and opportunity fund for demonstration projects.

I would like to thank the membership and staff of the Legislative Finance Committee for their hard work on behalf of the people of New Mexico. Together, we have prepared a responsible budget that invests in the people of New Mexico.

Sincerely,

Senator George Munoz
Chairman

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

VOLUME I
LEGISLATING FOR RESULTS: POLICY AND PERFORMANCE ANALYSIS

JANUARY 2025
FOR
FISCAL YEAR 2026

SENATOR
GEORGE MUÑOZ
CHAIRMAN

REPRESENTATIVE
NATHAN SMALL
VICE CHAIRMAN

CHARLES SALLEE
DIRECTOR

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When New Mexico state revenues began to surge in 2021, the Legislature decided to invest, not only in the programs that would help improve the lives and future well-being of New Mexicans, but also in approaches that could extend the life of the fiscally strong years. New financial systems that capture excess income have both moderated revenue volatility and created trust funds that will be a significant and stable source of income for generations. However, critical to this approach has been sustainable growth in spending. That approach continues in the committee's plan for the 2025-2026 fiscal year.

The committee's recommendation calls for $10.8 billion in spending from the general fund, a 5.7 percent increase over the 2024-2025 fiscal year that leaves general fund reserves at a healthy 33 percent of proposed spending. Investment fund income, particularly from funds for early childhood and natural resources, as well as nonrecurring sources of revenue, including from the government results and opportunity fund for pilot projects, accommodate additional spending. The spending also includes $3 billion in special, supplemental, and deficiency spending for a broad range of projects.

The Legislative Finance Committee recommendation is anchored by the three concerns that guided the committee's interim hearings: boosting per capita earned income, healthcare access, and quality of life. This includes substantial new investment in behavioral healthcare along with ongoing support for Medicaid physical healthcare, rural healthcare, and other programs that improve access. In addition, the recommendation supports the creation of an environmental compliance unit, increased minimum salaries for teachers and $150 million for education reform initiatives, and funding for a child welfare worker training academy demonstration project.

Finally, the committee recommends a state employee compensation package that provides for an average pay increase of 4 percent for state agency, higher education, and public school employees, additional funding for structural changes in the state pay plan, and funding for the health insurance plan administrator to cover increasing healthcare costs.

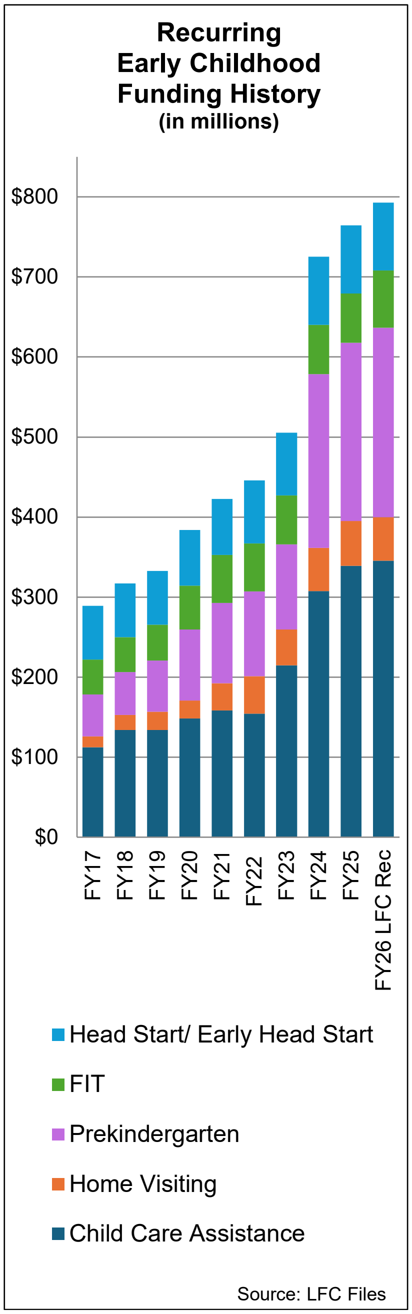
LFC Online: Understanding Government Finances

Finance Facts: Consensus Revenue Estimate

Budget Development and Priorities

LFC-approved budget guidelines providing direction to staff analysts highlighted the need for responsible growth given future decreased potential revenue from oil and gas. New Mexico's revenue growth, largely driven by a robust energy market, faces short-term risks from potential price crashes and long-term risks in the shift to renewable energy. For FY26, recurring general fund revenues are projected at $13.6 billion, with "total new money" estimated at $892.3 million, 7 percent higher than FY25 total appropriations.

Long-term projections highlight the need for prudent budget growth to avoid long-term budget deficits around declines in oil and gas revenues. Significant reversions from state agencies, especially in nonrecurring appropriations and high balances of unspent capital outlay and in public schools, also indicate the need to reassess budget growth.



December 2024 revenue estimates show FY24 ending reserve balances at $3.1 billion (33 percent of recurring appropriations) and FY25 ending reserve balances, before legislative action, at $3.9 billion (38.4 percent of appropriations), well above a 30 percent target. Given the large reserve funds, the LFC recommendation emphasizes balancing today's needs for improved outcomes, particularly education, health, and employment that boosts personal income, with the long-term sustainability of financial investments. 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 funding new initiatives through the government results and opportunity (GRO) fund. Investments in GRO 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 $11.2 billion from the general fund for recurring spending. The LFC general fund recommendation for FY26 is $10.8 billion, up $577 million, or 5.6 percent, from FY25 appropriations and includes a 4 percent compensation package for public schools, higher education, and state agencies. The LFC recommendation also includes significant one-time investments in special appropriations, supplementals, deficiencies, fund transfers and multi-year investments through the GRO.

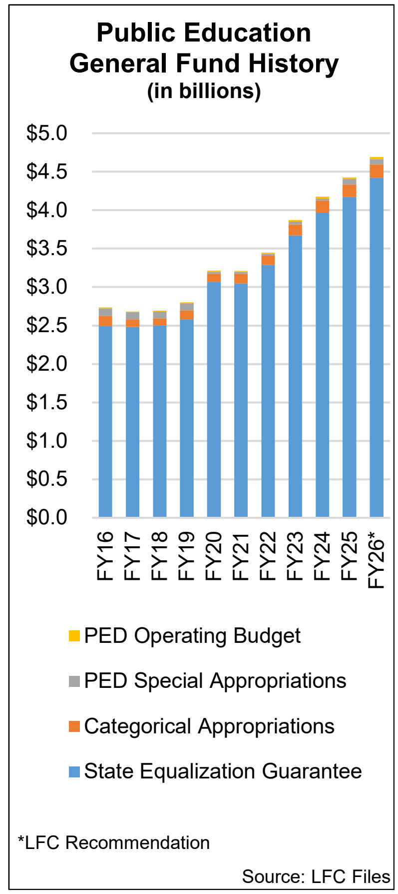
Early Childhood

Early Childhood Education and Care Department. The LFC recommends an increase in general fund revenue of $2.9 million, or 0.9 percent. However, the LFC recommendation replaces $15.7 million in general fund revenue for childcare assistance with revenue from the early childhood trust fund. Not including this revenue swap, the general fund increase recommended by the committee is $18.7 million, or 5.4 percent. This includes $3 million for rate increases for providers in the Home Visiting new family supports program, $3.5 million for prekindergarten quality support, $10 million for prekindergarten expansion, and $2 million for tribal language support.

The FY26 LFC recommendation for the early childhood trust fund increases the distribution to $289.9 million, for a total of $854 million, an 8.8 percent increase. The LFC early childhood trust fund recommendation includes a $5 million transfer to the Health Care Authority for Medicaid maternal and infant health services, $3.5 million for childcare quality improvements, $11.2 million for childcare assistance, $11.2 million for a provider rate increase and other costs in the Family, Infants, Toddlers (FIT) program for children with certain medical conditions, $600 thousand for a proposed doula certification program at the Department of Health, and $150 thousand for hearing screening for young children.

Children, Youth and Families Department. The LFC recommendation for the CYFD budget maintains a relatively flat recurring budget of $389.4 million while making targeted investments to address systemic challenges and accountability within the state's child welfare system through the government results and opportunity (GRO) fund and other special appropriations. The LFC recommendation for the CYFD budget includes $37.3 million in multiyear, nonrecurring special appropriations to address chronic workforce challenges, addressing high Protective Services caseloads, and piloting and evaluating a child welfare worker training academy in partnership with New Mexico schools of social work.

Within CYFD's recurring budget, the LFC recommendation maintains $17.8 million in federal funding from the Temporary Assistance for Needy Families (TANF) block grant 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. In addition, the LFC operating budget recommendation earmarks $7.7 million in general fund revenue to match with federal revenue for evidence-based prevention programs eligible for funding under the federal Family First Prevention Services Act.



Education

Public Education. The committee's recommendation for recurring general fund appropriations for public education totals $4.69 billion, a $263 million, or about 6 percent, increase from FY25 levels. The recommendation further includes $343 million in nonrecurring, education-related appropriations, including a $150 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 $4.42 billion, a $250.8 million, or 6 percent, increase from the prior year. This increase is primarily due to a 4 percent increase in school personnel salaries and a $56 million appropriation to more equitably allocate SEG formula funds to schools serving lower-income students.

To further test promising education initiatives for potential recurring investments, the recommendation sets aside $150 million in the public education reform fund to pilot secondary literacy, elementary math, indigenous education, school improvement, attendance support, and innovative staffing initiatives over a three-year period.

LFC Online: Understanding Government Finances

Finance Facts: General Appropriation Act

Higher Education. For FY26, the committee recommendation provides a $36.3 million, or almost 3 percent, increase for higher education institutions and the Higher Education Department, bringing total general fund appropriations to $1.4 billion. The increase includes a funding formula base increase of 2.5 percent, or $21.1 million, for higher education institutions, $3 million to be distributed among all institutions for mental health and other student support services, $2 million for medical faculty pay raises at the Health Sciences Center, and $750 thousand to provide raises for graduate student workers. Special schools—the New Mexico School for the Blind and Visually Impaired, the New Mexico School for the Deaf, and the New Mexico Military Institute—would receive a base increase of 3 percent.

For more info:

General Fund Recommendation Summary
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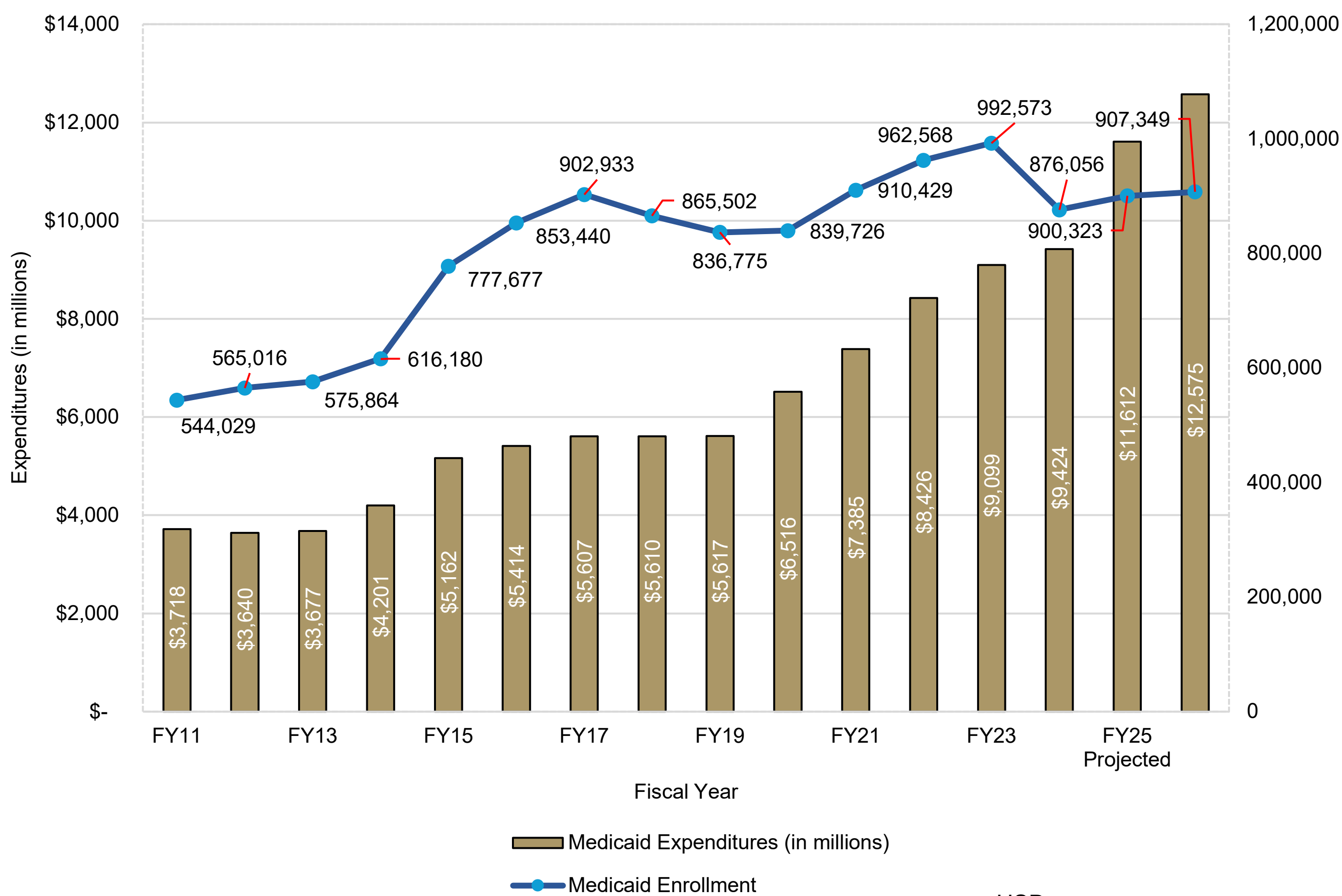
The committee recommendation includes an additional $5.4 million for various research and public service projects, including $1.9 million for agricultural programs, $1.5 million for water treatment and aquifer mapping, nearly $1 million for nursing and $1.7 million for nursing and other health-related programs. The committee recommendation includes funding for two new nursing programs in FY26.

LFC recommends nonrecurring appropriations for higher education totaling $135 million, including $40 million for facility maintenance and demolition, $20 million for a student retention incentive increase to be spent over three years, $20 million for the technology enhancement fund, $19 million for aquifer mapping and characterization, and $15 million for medical education loan-for-service.

Health and Human Services

Health Care Authority. The $15 billion LFC recommendation for the Health Care Authority is a $2.8 billion, or 23 percent, increase above the FY25 operating budget, that reflects a significant increase in total revenue because of a new hospital surcharge. The recommendation increases general fund spending with moderation given recent budget projections. With the Medicaid budget more than doubling between FY19 and FY25, more increases likely for FY26, and outcomes not

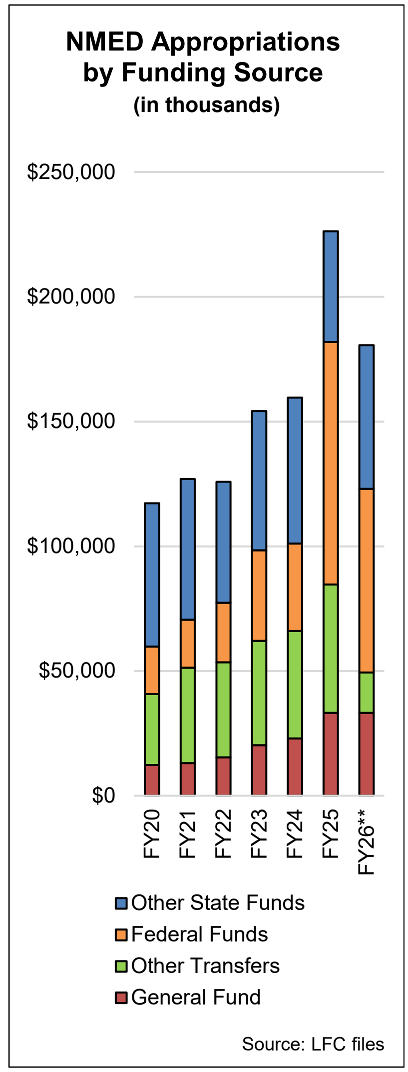
Total Medicaid Enrollment and Expenditures FY11-FY24



Source: HSD September 2023 Projection

improving with the pace of spending, the committee recommends the department take significant steps toward focusing on performance and includes language to strengthen hospital and behavioral health oversight. The LFC recommendation also prioritizes continuing the rate adjustments enacted in the 2024 General Appropriation Act and continues the move toward funding more evidence-based services, especially in the GRO three-year demonstration project budget. LFC also included significant amounts in GRO and nonrecurring funding to help ease the transition from prison, provide medical respite for unhoused people, and ensure women with high-risk pregnancies receive home-delivered meals.

Department of Health. The $210.9 million general fund recommendation for the department represents a 4.9 percent increase in the general fund appropriation over FY25. A significant portion of the increased general fund request was for operating costs at state facilities. In recent years, the department has struggled with low census and, therefore, low revenue generation and increasingly high operating costs. The use of contracted staff and overtime has increased the cost of operating state facilities. DOH must focus on cost controls while increasing revenues for state facilities to become financially viable. LFC recommendation also recommended $2 million for mobile health unit staffing, $500 thousand for sexually transmitted disease clinical services, and funding for department operating costs.



Economic and Workforce Development

The Legislature recognizes the need for a strong workforce and diversified economy, and the recommendation prioritizes funding for economic development initiatives that support key industries with the greatest competitive advantage in New Mexico. The committee recommends a total budget of $29.6 million for the Economic Development Department for FY26, which includes an increase of $706 thousand from the general fund for additional staffing for the Office of Strategy, Science, and Technology. The LFC recommendation includes nonrecurring investments to support commercialization and start-up companies, infrastructure for outdoor recreation and trails, and site characterization and pre-development. Building on several years of significant investments in workforce training, the LFC recommendation for the Workforce Solutions Department provides the agency with nonrecurring funding for a study to identify strategies to increase workforce participation rates, develop a case management system for unemployed adults, and intensive outreach for out-of-school and at-risk youth.

LFC Online: Understanding Government Finances

Finance Facts: The General Fund

Natural Resources

Environment Department. The committee recommends a total budget of $198.3 million for the Environment Department for FY26, a $670.8 thousand, or 2 percent, decrease in general fund revenue from FY25. The LFC recommendation supports the dismantling of the Special Revenues Program, the budgeting of other transfer funds within the corresponding programs, and the creation of the Compliance Enforcement Division.

Energy, Minerals and Natural Resources Department. LFC recommends a total budget of $226.6 million for the department, a $36.7 million increase, or 19.3 percent, from FY25. The LFC recommendation provides $1.24 million for hot shot crews, watershed and forest management, and restoration. The recommendation also supports personnel increases in the Program Support, Energy Conservation and Management Division, and Mine Reclamation Division, for a total general fund increase of $2.26 million, or 5.6 percent, over FY25.

Office of the State Engineer. The LFC recommendation provides a $1.15 million, or 3.4 percent, general fund increase that includes funding for contract work related to the implementation of the 50-year water plan.

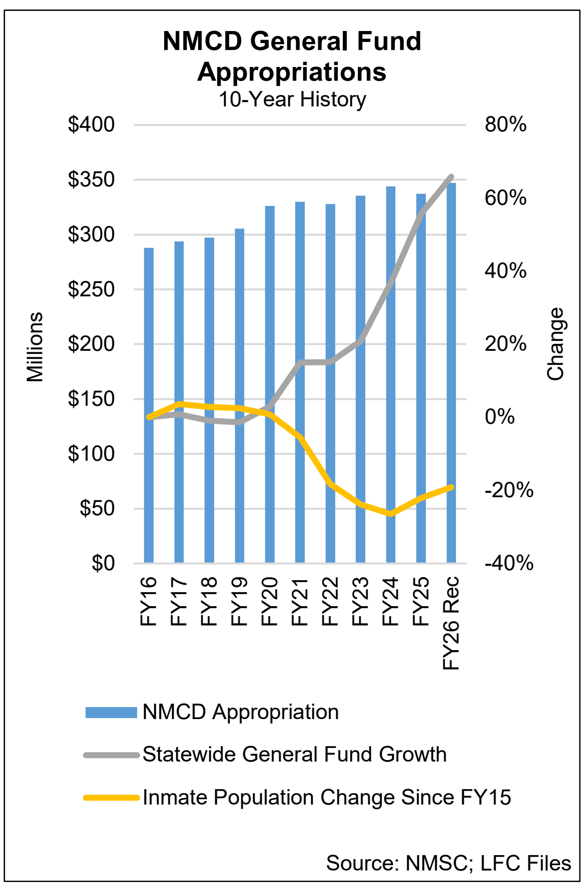
LFC Online: Understanding Government Finances

Finance Facts: General Fund Reserves

Judiciary

LFC recommends a total general fund increase of $8.8 million, or 17.6 percent, over FY25 for the Administrative Office of the Courts (AOC), bringing the total budget to $81.9 million across all funding sources. This increase is principally due to the movement of $6.7 million of recurring funds related to pretrial services moving from district court budgets to a single item in AOC's budget. LFC also recommends funding for increased interpreter pay and increased personnel funding for pretrial services. For district courts and the Bernalillo County Metropolitan Court, the recommendation, after adjusting for pretrial services, is a $5.5 million, or 3.1 percent, increase over FY25. The LFC recommendation primarily funds the remaining third of the 2024 judicial pay plan, support staff, and security.

LFC recommends a statewide general fund increase for district attorneys of $3.7 million, or 3.4 percent, compared with FY25. The recommendation funds additional attorneys, legal support staff, and contract attorneys and replaces federal funds that will no longer be available. The remaining funds are for increased insurance, operations, IT, a digital evidence system, and subscription costs.



For the Public Defender Department, LFC recommends a general fund increase of 3.2 million, or 4.1 percent, over FY25 operating budget, bringing the total budget to $80.3 million across all funding sources. This includes funding for increases in multilingual client services and for previously unfunded social workers and case managers.

LFC recommends no general fund increases for the Attorney General but recommends increases from the consumer settlement fund and federal revenues, for an overall increase of $3.7 million, or 7.1 percent, over FY25. The increases would cover funding for a pilot project that funds five term positions in the Consumer and Civil Rights Division, an assistant attorney general, a state investigator, and funding for contract attorney and litigation expenses.

Public Safety

Department of Public Safety. The LFC's FY26 budget recommendation emphasizes public safety as a key priority, providing $191.8 million from the general fund, a 3.6 percent increase over FY25, and a total budget of $228.3 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 advanced training and community-focused policing strategies, the budget aligns with national standards to enhance public trust and law enforcement effectiveness while addressing persistent challenges, such as vacancies and underutilized resources.

Corrections Department. The committee's FY26 budget recommendation for the Corrections Department emphasizes improving recidivism reduction programs and addressing operational needs while balancing costs. The recommendation provides a 3 percent increase in general fund appropriations, totaling just over $10 million, including $12 million in new funding for the Inmate Management and Control Program to support private prison per-diem rate increases, expand personnel budgets, and enhance evidence-based reentry initiatives, offset by a $2 million reduction in general fund appropriations to other programs. 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.

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Compensation

The LFC recommendation includes a total of $271.5 million in general fund revenue for public employee compensation, sufficient for an average 4 percent increase in employee pay, with additional funds to shore up the state's liability fund and to provide pay increases related to the implementation of a new pay plan for the classified service. This amount includes $137.5 million for public schools, $83 million for state agencies, and $51 million for higher education institutions.

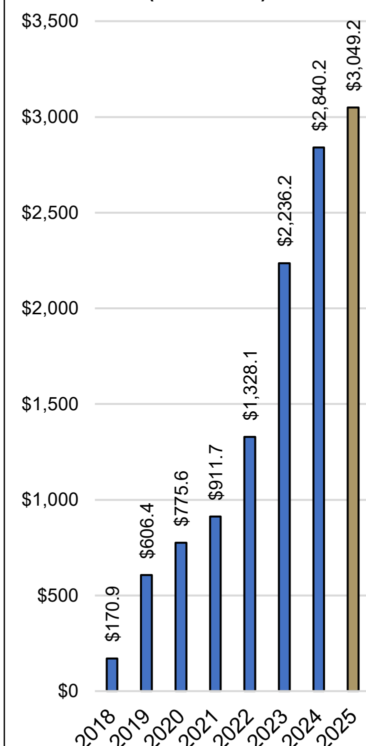
LFC recommendations for agency operating budgets include increased funding for healthcare costs based on a 10 percent rate increase projected by the Health Care Authority, administrator of the insurance plan for state employees. In addition, the LFC recommendation includes a supplemental appropriation of $124.2 million from the general fund to cover a projected deficit in the state health benefits fund.

Roads

The Department of Transportation (NMDOT), mainly funded with state road fund revenues for highway maintenance and federal funds for road construction, reports stagnation of the agency's primary revenue source, taxes on gasoline and diesel fuel. NMDOT projects a small increase of state and federal revenue into the state road fund for FY26. The LFC recommendation of $1.304 billion includes funding for road projects, maintenance, equipment purchases, and to improve NMDOT patrol yards statewide.

The LFC recommendation also includes $350 million from the general fund for transportation projects and equipment, with $188 million for road projects at NMDOT, $100 million for local and tribal governments through the transportation project fund, and $50 million for the department's wildlife corridor fund.

Special, Supplemental, and Deficiency Appropriations and Fund Transfers
(in millions)



Note: General fund appropriation totals from Section 5, 6, 9, 10, and 11 from the GAA of 2018 through 2024. The 2025 total is recommendation.

Source: LFC Files

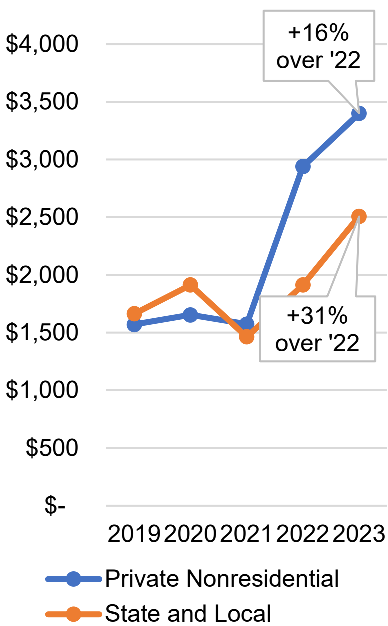
Special, Deficiency, and Supplemental Appropriations

The recommendation for special, supplemental, and deficiency appropriations totals $1.452 billion, of which $1.354 million is from the general fund. Investments include $350 million for transportation programs, $75 million to help agencies and local government pursue federal grants through the New Mexico match fund, $50 million for regional recreation centers and quality of life grants, $49.5 million to expand coverage for the FAIR program, the state's insurer of last resort, and $40 million for the Corrections Department to continue treatment for hepatitis C.

The recommendation includes $150 million in supplemental and deficiency appropriations from the general fund for FY24 and projected FY25 shortages in agency budgets. In addition to $124 million for the state employee benefits fund, the recommendation also includes $7.6 million to the election fund to cover expenses from election in 2024.

Government Results and Opportunity Fund. The recommendation also contains $350 million for appropriations from the government results and opportunity fund. This includes $224 million for the Health Care Authority for pilot projects under the Medicaid program and to increase support for food banks statewide, $37.4 million for the Children, Youth and Families Department, and $34 million for the Corrections Department to provide medication-assisted substance abuse treatment. 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. In addition, the LFC recommendation includes several appropriations from the public education reform fund, contingent on legislation that would embed program evaluation for projects with appropriations from that fund. The LFC recommendation includes $31 million for attendance initiatives, $30 million for school improvement initiatives, and $20 million for innovative school staffing models.

State and Local vs. Private Construction Spending Growth



Source: U.S. Census Value of Construction Put in Place Report

Fund Transfers. The recommendation also contains $1.7 billion in fund transfers intended for future spending, including $600 million to the government accountability and improvement trust, $350 million for a new community benefit fund for infrastructure and other improvements, $222 million to the water project fund, and $150 million to restore balances in the appropriation contingency fund. Fund transfers also include $50 million to New Mexico housing trust fund of the Mortgage Finance Authority to expand housing services, transitional housing, and support those with behavioral health needs.

Information Technology. The LFC recommendation for IT funding totals $96.7 million from all funding sources for 16 projects. The recommendation includes $28.5 million in general fund revenues, $4.9 million in internal service funds, and $63.2 million in federal funds. Included in the recommendation is $3.8 million in general fund revenues for the Workforce Solutions Department's continuation of modernization project, with an associated federal match of $5 million; $2.5 million in general fund revenues for the Secretary of State to implement a new business filing system; and $5 million in general fund revenues for the Health Care Authority's continuation of the Medicaid management information system replacement project, with an associated federal match of $45 million.
In addition to newly requested funding amounts, a total of 13 agencies submitted 30 requests to reauthorize prior-year appropriations through FY26. Originally, those appropriations totaled $408.9 million and reported balances requested to be reauthorized total $193.8 million, or roughly 47 percent.

Capital Outlay and Infrastructure

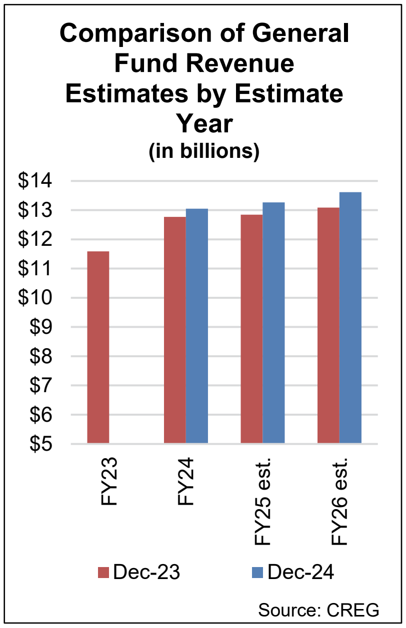
Capital outlay requests from state agencies, judicial entities, higher education institutions, and special schools totaled roughly $1.7 billion. Despite historic revenues, the state continues to face challenges to completing projects, including capacity limitations, rising construction costs, and insufficient planning and coordination of funding sources. At the end of the first quarter of FY25, outstanding capital balances totaled an estimated $5.8 billion across more than 5,000 projects.

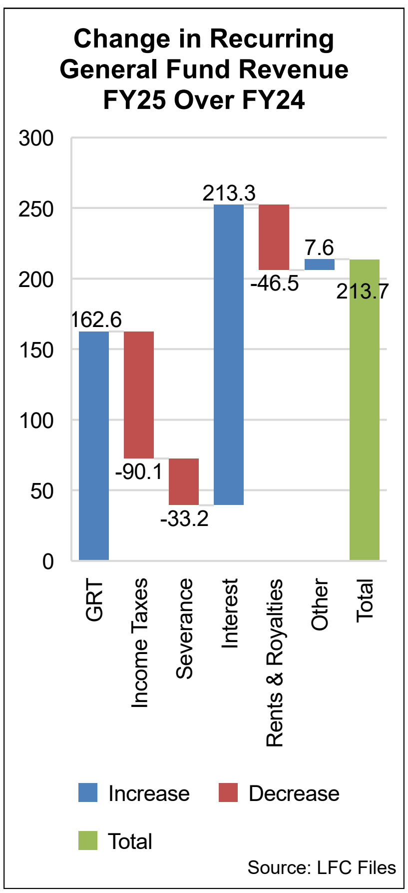
The LFC capital outlay framework for consideration by the full Legislature proposes approximately $275 million from the general fund, $165 million from severance tax bonds, and $85 million from other state funds. The recommended funding from severance tax bonds a little more than 50 percent of long-term bonding capacity for FY25, continuing the practice of last few years of shifting the state's capital program away from its historic reliance on debt, given the state's strong financial position.

Major state agency projects in the framework include an additional $40 million for a new forensic unit at the Behavioral Health Institute in Las Vegas, $40 million for restoration and improvement of state parks, $20 million for public safety radio communication infrastructure statewide, $10 million for watershed restoration and community wildfire protection projects, $10 million for local emergency capital projects statewide, $10 million for a new patrol helicopter for the State Police, and $8 million for a new wildfire response program facility for the Forestry Division of the Energy, Minerals and Natural Resources Department. Additionally, the framework proposes a $50 million distribution from the public school capital outlay fund to school districts for school security, career and technical education facilities, and general maintenance, and it proposes a $24 million appropriation to the Department of Finance and Administration for project completion grants for existing local capital outlay projects. The appropriation would be funded with the first distribution from the new capital development program fund, created during the last legislative session.

Major higher education projects in the framework include $40 million for a new humanities and social science complex and $25 million for renovations to the College of Pharmacy at the University of New Mexico; $10 million for demolition of Cole Village and $4.5 million to complete an expansion of the new biomedical building at New Mexico State University; and $18.5 million in appropriations to address critical infrastructure deficiencies at New Mexico Highlands University, the New Mexico Institute of Mining and Technology, Eastern New Mexico University, and New Mexico State University. Finally, the capital outlay framework proposes $30 million for planning and design of a new medical school at the University of New Mexico Health Sciences, part of an overall effort to support an ambitious expansion of UNM's clinical delivery system.

Economic and Revenue Forecast





Revenues continue to moderate after record-breaking growth during the post-pandemic recovery. Following more than a decade of marginal revenue growth, the state's economy, oil production, and tax revenues climbed 20 percent in FY22 and FY23. As inflation returns to lower levels, employment growth slows, and energy production steadies, the pace of revenue growth is expected to slow to around 12.6 percent in FY24, about 1.6 percent in FY25 and 2.6 percent in FY26, before returning to more typical growth of more than 3 percent in FY27 and beyond.

Estimated recurring revenues for FY25 are $13.26 billion, up $213.7 million from FY24. The state's historic revenues have grown at a record pace propped up by booming oil and gas, durable consumer spending, inflation, strong demand for employment, and robust wage growth. Although the pace of growth slowed in FY24, growth still doubled the average rate of the previous two decades. Legislative changes reducing revenue collections and the softening of economic activity contribute to the estimated return of typical revenue growth in the forecast period.

Total revenues in FY24 are estimated to be $45.4 million more than FY24 appropriations. Outside of funds from the federal American Rescue Plan Act, general fund revenues exceeded general fund appropriations by $102.5 million, which will be transferred to the operating reserve. Ending reserve balances for FY24 are estimated at $3.16 billion, or 33 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—$665.2 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 $1.02 billion in FY24, will also flow into the early childhood trust fund.

While recurring revenue is $3.4 billion more than prior year recurring spending, nonrecurring spending has grown rapidly in recent years and now represents more than 27 percent of spending in a single session and potentially a third of spending in a single year. Total revenues less total prior year spending more accurately reflects new general funds available over prior years and is $892.3 million in FY26.

Economic Forecast

U.S. Economy

The U.S. economy is performing well despite slower growth in the first half of this year than in the second half of last year. The labor market demonstrated unexpectedly large gains in September across a broad base of industries. Real gross domestic product (GDP), the inflation-adjusted value of all goods and services, increased at an annual rate of 2.8 percent in the third quarter of 2024, according to the U.S. Bureau of Economic Analysis. This was down slightly from 3 percent in the second quarter but higher than expected. S&P Global is expecting GDP growth of 2.7 percent through FY25 and 2.1 percent in FY26 as inflation moderates slightly above 2 percent.

For more info:
General Fund Consensus Revenue Estimate
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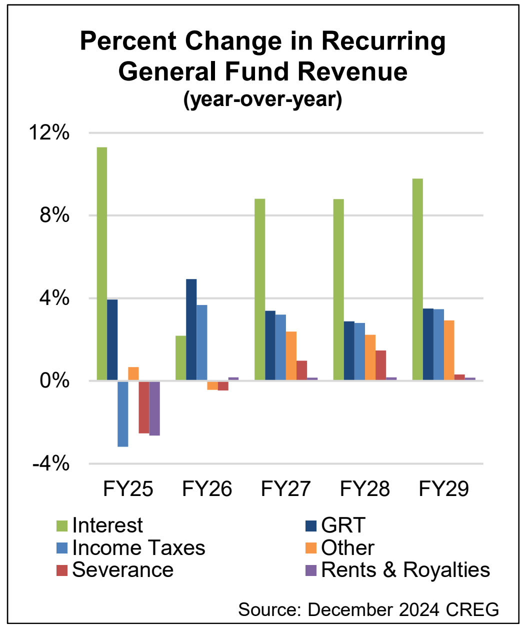
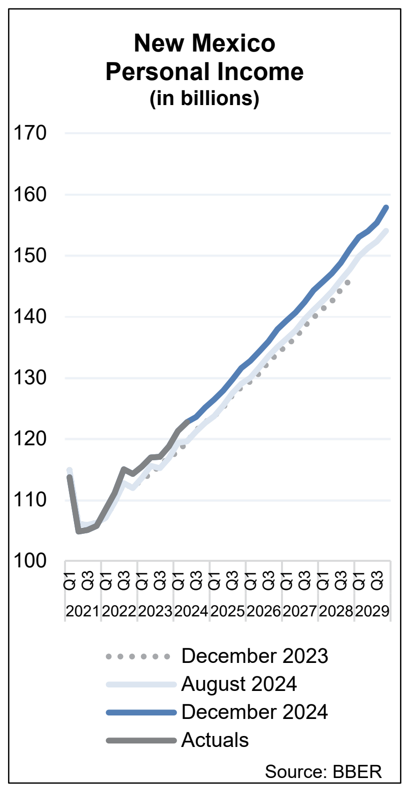
Supply chain pressures have eased from pandemic levels and the labor market has shown signs of rebalancing. S&P Global expects tight monetary policy will suppress demand in the U.S. labor market and in investment activity, reversing the direction of inflation along with easing supply chains and other demand or supply disruptions. Forecasters predict interest rates have reached their peak and will fall to a sustained 2.6 percent by the end of 2026.



New Mexico Economy

October 2024 data from the U.S. Bureau of Labor Statistics indicates total nonfarm employment is up 37.6 thousand jobs, or 4.4 percent, from the prepandemic peak. UNM's Bureau of Business and Economic Research (BBER) expects employment growth to steadily slow through 2025 with average year-over-year growth of 0.3 percent from 2026 through 2027 before recovering somewhat around 0.5 percent in 2028 and 2029. In total, New Mexico employment regained all jobs lost during the pandemic by March 2023 and is expected to grow by 35 thousand jobs, or 4.1 percent, above current levels by 2029, the end of the forecast period.

New Mexico's labor force is projected to grow by 0.5 percent in 2025 compared with 2024, with annual growth expected to tick downward to 0.3 percent in 2026 and beyond. Currently, New Mexico's labor force participation rate, the share of working-age adults working or looking for work, is 57.6 percent, significantly lower than the national rate and a modest 0.6 percent below prepandemic levels.

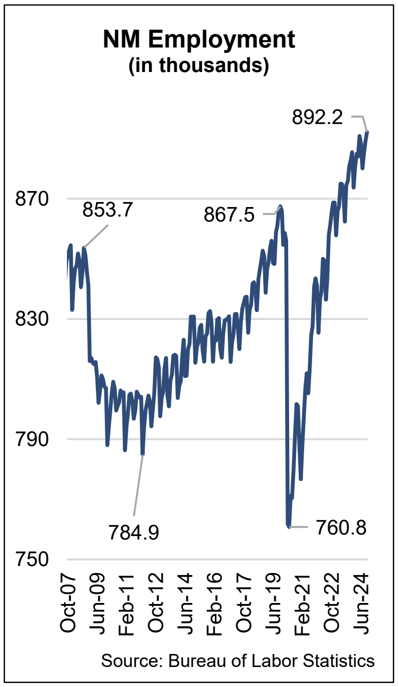


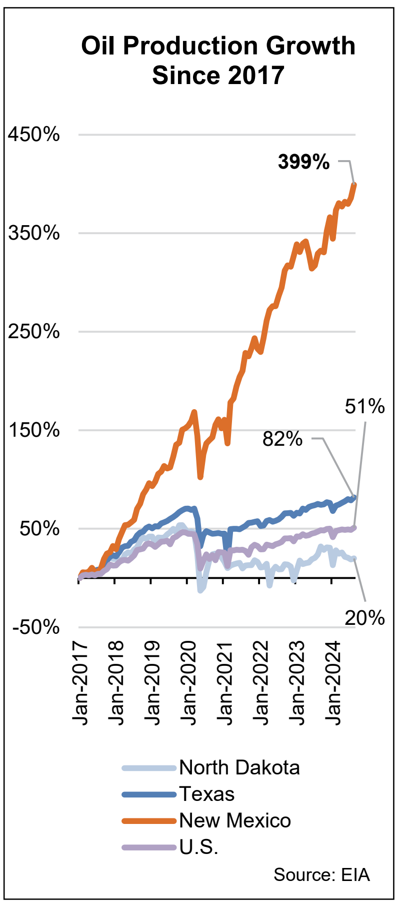
While employment had a longer road to recovery, total wages and salaries in New Mexico reached prepandemic levels in the last quarter of 2020. Wages and salaries experienced 10 percent growth in FY22, 8.6 percent growth in FY23, and 6.9 percent growth in FY24. BBER expects to see average year-over-year growth of 4.2 percent in FY25 through FY29.

Total personal income growth, which includes income other than earned wages and salaries, in New Mexico reached record heights during the pandemic. Driven by inflationary pressures and a competitive labor market, personal income expanded year-over-year by 3.7 percent in FY22, 7.3 percent in FY23, and 3.9 percent in FY24. Total personal income is expected to grow by 4.8 percent in 2025. BBER expects average year-over-year growth in total personal income to be 4.8 percent from 2025 to 2029.

Energy Markets

New Mexico's oil and natural gas industry has experienced remarkable growth over recent years, with oil production nearly quintupling (399 percent increase) since 2017. By 2023, New Mexico became the second-largest oil producer in the United States, contributing to nearly 50 percent of the nation's oil production growth that year.





While New Mexico's oil and gas industries remain robust, their growth rates are moderating amid rising production costs, market volatility, and infrastructure constraints. Oil production is expected to continue growing modestly, while natural gas growth will stabilize at a slower pace. These trends reflect a maturing industry navigating economic and operational challenges.

Despite volatile global oil prices due to factors such as the Covid-19 pandemic and geopolitical tensions, New Mexico's oil production has remained strong. Over the past two years, significant consolidation within the industry has led to larger producers dominating the region. These companies prioritize shareholder returns over rapid production growth, strategically managing production by utilizing less productive land in higher-price environments. However, increased drilling and production costs have reduced profitability, raising the breakeven price for new wells to $40–$45 per barrel, up from $30-$35 previously.

New Mexico's oil prices averaged $78.50 per barrel in FY24 and are projected to average $70.50 in FY25. Prices for West Texas Intermediate (WTI) crude are expected to range between $67 and $77 per barrel through FY25–FY26. New Mexico's oil prices will likely remain slightly below WTI benchmarks.

Oil production growth is slowing. Fiscal year 2024 saw 710 million barrels produced, a 7.9 percent increase over FY23 but far below the 30 percent and 24 percent growth seen in FY22 and FY23. Growth is forecasted to moderate further, with a 4.9 percent increase in FY25 and an average annual growth rate of 1.5 percent from FY27–FY29. New Mexico's natural gas production has also expanded significantly but is starting to slow. Production rose 10.3 percent to 3.57 trillion cubic feet in FY24, compared to nearly 25 percent growth the previous year. Growth is expected to average 2.7 percent annually from FY25 to FY29, with daily production reaching 10.1 billion cubic feet in FY25 and 10.3 bcf in FY26.

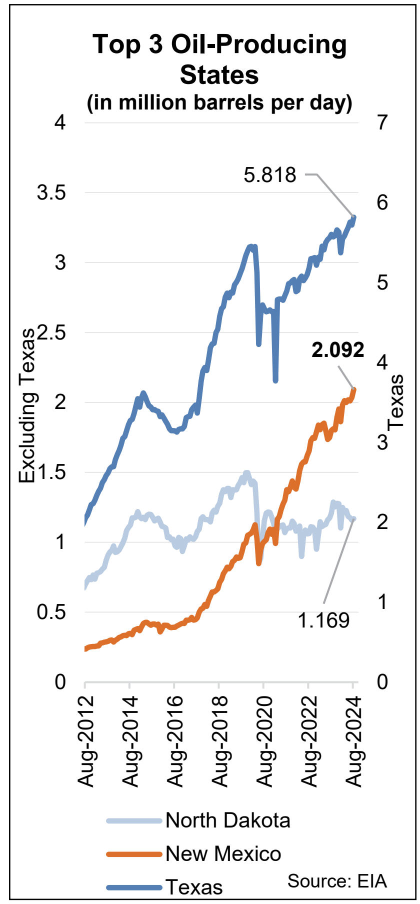
Natural gas prices have dropped sharply, averaging $3.16 per thousand cubic feet (mcf) in FY24, down from $7.15 in FY22. Prices are forecasted to stay below $3.20/mcf through 2025 due to high inventories, mild winters, and increased production. Pipeline constraints in the Permian Basin have further suppressed New Mexico's natural gas prices, which are expected to remain slightly higher than national benchmarks.

Revenue Forecast

Oil and gas production in New Mexico grew significantly in FY22 and FY23 but slowing production and lower prices generated significantly lower federal mineral leasing and severance tax revenues in FY24, and flat or low-growth revenues are expected in FY25 and beyond. Record high FY23 revenues are causing the five-year average mechanisms to lose efficacy in insulating the general fund from oil and gas volatility as more of those revenues channel directly into the general fund.

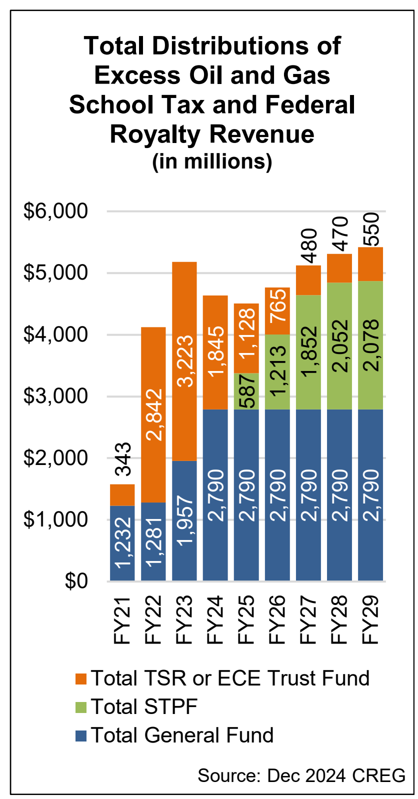
To address these issues, legislation enacted in 2023 caps the amount of oil- and gas-related revenues reaching the general fund from the oil and gas emergency school tax and federal mineral leasing payments, the two largest sources of oil and gas revenues. Revenues collected above the cap but below the five-year moving average will be distributed to the severance tax permanent fund (STPF) beginning in FY25.

Levels of production are expected to remain high but moderate in growth in FY25, while prices decline. Severance tax collections are projected to be $1.9 billion in FY25, a decline of $31 million, or almost 2 percent. Despite declining revenue collections, new distributions beginning in FY25 of school tax revenue that are above FY24 levels but below the five-year moving average will be distributed to the severance tax permanent fund, insulating the general fund from the otherwise drop in revenue.



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 that is subject to the gross receipts tax and is not altered by changing tax rates—were up 6.4 percent in FY24 compared with FY23, a marked slowdown from 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, falling inflation, slower mining activity, and depleted consumer savings are beginning to translate into lower expectations for revenue collection growth.

Income tax revenues decreased in FY24, in line with expectations. Income taxes were $2.83 billion in FY24, down 4 percent, or $119.1 million, compared with FY23. The decrease is the result of two factors. First, an uptick in tax credits, exemptions, deductions, and other tax changes have deflated income tax revenues. Second, inflation has eased, wage pressures softened, and corporate profits receded as the overall U.S. economy cools.



Unadjusted FY24 personal income tax (PIT) collections were down 12.2 percent, or $307.2 million, from FY23. After adjusting for legislative and administrative changes that moved pass-through entity withholding from PIT to the corporate income tax (CIT), PIT collections were down only 4.6 percent, or $116.9 million. The underlying slowdown was the result of softer-than-expected oil and gas withholding revenues and higher refunds that offset withholding gains.

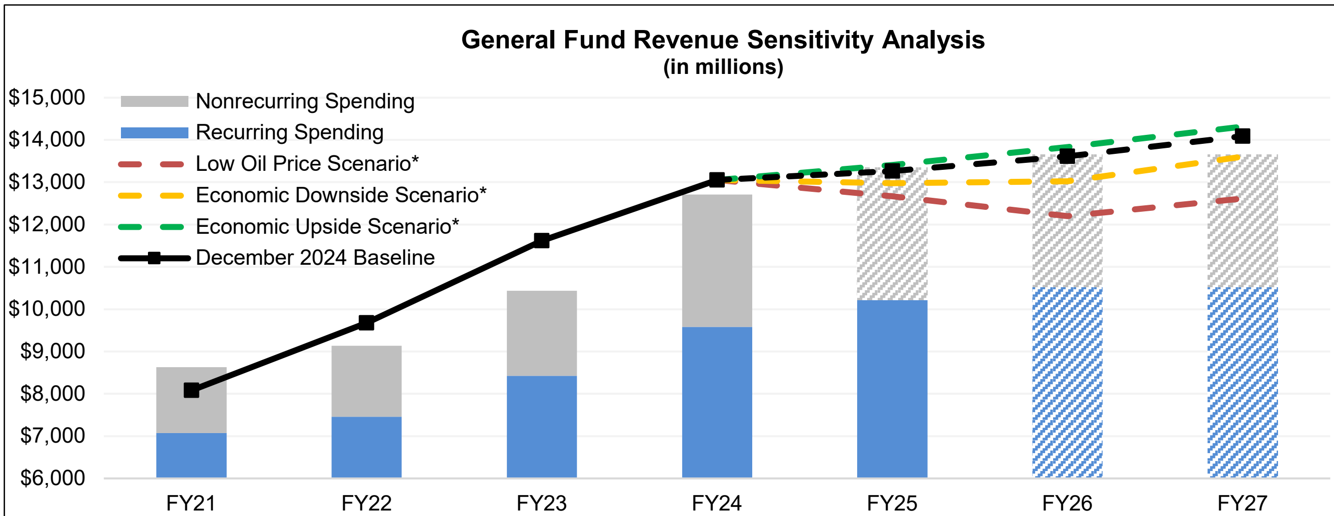
The record strength of oil and gas production and high prices has resulted in record contributions to the land grant permanent funds, which receives royalty payments for oil and gas production on state lands, and the severance tax permanent fund, which receives severance taxes not being used to pay for capital outlay programs. Large contributions combined with investment earnings are driving expectations for large growth in distributions from the state's permanent funds by an average of $206.8 million a year. From FY25 to FY29, the estimated average annual growth in the general fund for these sources is 12.1 percent, well over the long-term historical general fund growth of about 4.5 percent. These distributions are the most stable revenue source in the general fund and are growing at the fastest rate of all major general fund revenues, powering general fund growth through the forecast period.

Forecast Risks

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

Stress-Testing the Revenue Forecast

The December 2024 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 October 2024. 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. Appropriations are grown 3% from current levels.

Source: CREG December 2024

For more info:

General Fund Financial Summary
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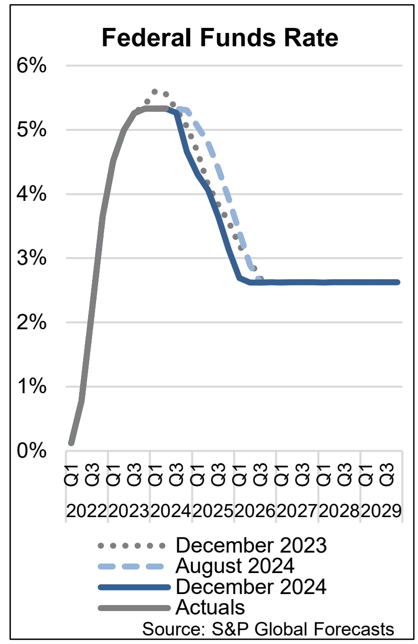
the severance tax permanent fund. A significant downside risk remains not only in falling severance and royalty revenues but also through gross receipts tax and income taxes.

Inflation. The path of inflation and federal policies aimed at bringing it to lower, sustainable levels will greatly affect the forecast. In FY24, inflation remained much higher than forecasted expectations from Moody's and S&P Global. In the current forecast, inflation is expected to stabilize but remain above 2 percent for most of the forecast period. If inflation remains more stubborn than currently reflected in the forecast, revenues could continue to beat expectations. Conversely, success in taming inflation more quickly could lower revenues below current expectations. As the Federal Reserve maintains a tight monetary policy to reign in prices, the likelihood that policy will be tightened past the optimal point, triggering a recession, has crept higher.

Continued inflation also poses a risk to the forecast in real terms. If prices rise, costs will rise alongside them, dampening consumer spending and reducing real revenue growth. While revenues could rise, the effective use of those revenues will be diminished, and long-term collections could be lower due to inferior real economic activity.

Federal Policies. Federal tax policy can also impact New Mexico revenues. New Mexico "piggy-backs" on federal income taxes and uses individuals' federal adjusted gross income as the base for the state income tax. Therefore, when federal income taxes change, so can New Mexico's. Several federal tax exemptions, deductions, credits, and rate cuts passed in the 2017 federal Tax Cuts and Jobs

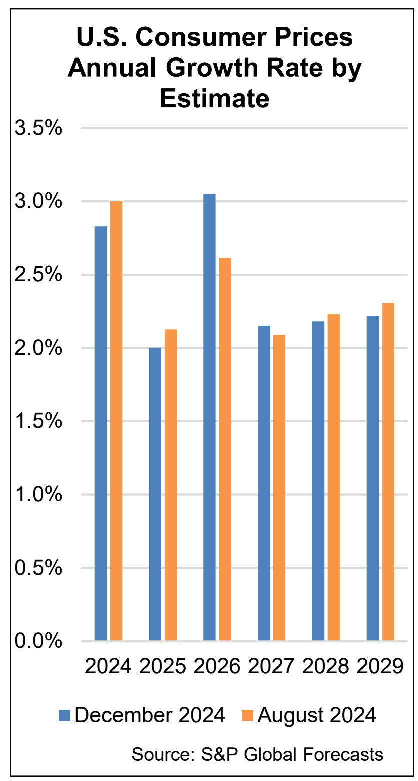
Act (TCJA) are due to expire at the end of tax year 2025. While national forecasts underlying the state revenue forecast all assume the TCJA income tax cuts will be extended beyond 2026, congressional action is still in question.



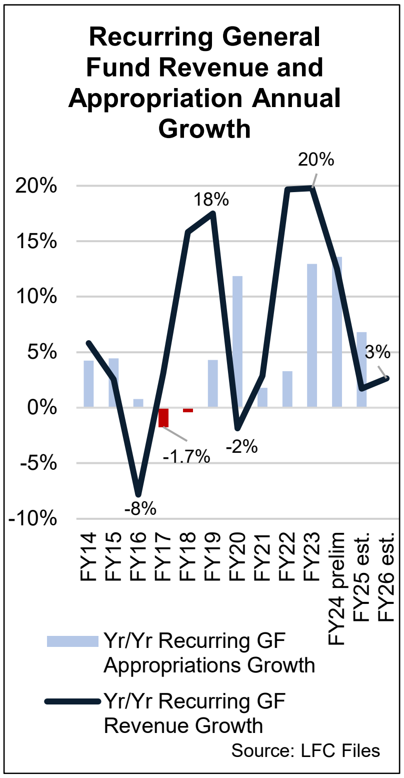
In New Mexico, changes in federal administration and policy could bring both opportunities and challenges for state revenues. On the upside, tax cuts and broader deregulation might boost the state's energy and resource extraction sectors, potentially increasing severance tax revenues and economic activity in the Permian Basin. However, production likely has little upside as firms focus on cash flow and not production growth. Tariffs can intensify inflation by raising the cost of imported goods, leading to higher prices for consumers. This inflationary effect may result in higher gross receipts tax revenues as prices rise but any gains in revenue collections could be offset by consumers and businesses decreasing demand for products and services in response to higher prices.

Reduced federal funding—particularly for Medicaid, education, and infrastructure, which New Mexico heavily relies on—could strain the state's budget. Additionally, the potential for decreased federal investment in renewable energy could impact the state's burgeoning clean energy sector.

Recession. The most recent survey of business and academic economists polled by the *Wall Street Journal* in October 2024 put the risk of a U.S. recession at 26 percent, down from a peak of 63 percent in summer 2022. Neither Moody's nor S&P Global's baseline economic forecast includes a recession within the forecast period, through FY29. Because the baseline forecasts are the underpinnings for the consensus forecast, the risk is similarly excluded from the revenue projections.



Fiscal and Tax Policy



At a Glance: The 2024 Tax Package

House Bill 252 cut up to an estimated $266.5 million in recurring revenues in a series of tax changes, including

- $176 million for income tax rate and bracket restructure
- $17 million in revenue gains to create a flat corporate income tax
- $65 million in revenue gains to limit the capital gains deduction
- $18.1 million for targeted expenditures for health care and childcare
- $126 million for targeted expenditures for environmental initiatives
- $12 million to indefinitely exempt some military retirement income from income tax
- $6 million for a GRT exemption for dyed diesel used in agriculture
- $8 million for targeted expenditures for wildfire victims
- $2 million for angel investments

The state's revenues have grown at a record pace since FY22; however, the pace of growth slowed in FY24 and is expected to continue to moderate in FY25 and beyond, partly because of a moderating economy and tax changes provided by the Legislature. As the budgetary outlook tightens, capacity for tax reductions has shrunk.

In the 2025 session, the Legislature's focus is first on a sustainable recurring budget. Although the extraordinary growth of the last few years is waning, New Mexico's recent years of outsized revenue, in which revenues outpaced spending capacity, resulted in large reserves and opportunities to spread nonrecurring appropriations over multiple years, well positioning the state for a slowdown.

Fiscal Stability and Managing Revenue Volatility

The last five fiscal years have exhibited the most revenue volatility in 40 years and the most continuous volatility in state history. Rising revenue volatility has complicated state revenue forecasting and challenged state budgetary planning, threatening the stability of essential public services. The state has expanded its efforts to stabilize revenues by distributing windfall oil and gas collections to funds outside of the general fund. This method has been successful at reducing volatility. For example, distributions to the early childhood education and care trust fund tamped down revenue volatility by 37 percent in the five-year period following enactment.

At the core of New Mexico's fiscal instability has been the significant reliance on volatile revenues from the extractive industry. Severance taxes and federal royalty payments made up about 21.4 percent of general fund revenues in FY24 and are expected to settle around 21 percent in FY25. When including gross receipts and income taxes paid by the oil industry, revenue dependent on the extractive industry made up 35.7 percent of general fund revenue in FY24 and is expected to normalize around 35 percent in FY25 as oil and gas production flattens in New Mexico.

Lawmakers have chosen to manage revenue volatility through longstanding permanent funds, newly created oil- and gas-tax stabilization mechanisms, consistent fiscal responsibility, and responsible reserve targets. In September 2024, the consensus revenue estimating group found long-term revenues would be sufficient to keep up with responsible budgetary trends due to set asides from oil and gas revenues into investment accounts. However, economic and revenue growth has already downshifted and has the potential to grow slower than previously forecasted, raising the need to constrain recurring spending growth.

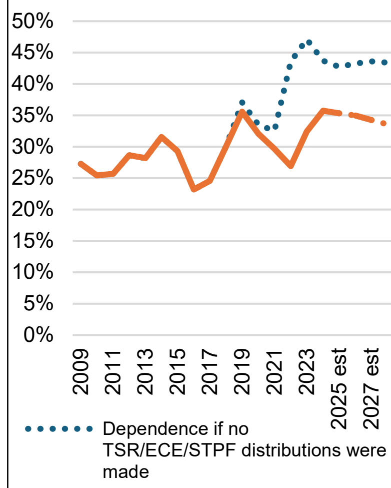
In addition to setting aside oil- and gas-related revenues for investment funds and establishing stabilization mechanisms, the Legislature has also constrained budgetary volatility by spending less than total recurring revenues when revenues are above trend. Lawmakers have effectively used significant portions of revenue surpluses to fund a variety of capital outlay and infrastructure projects, build general fund reserves, supplant other state funds, and create new budget stabilization funds.

The Legislature has also implemented best practices of budget planning with the development of a long-term revenue estimate and budget outlook. In July 2022, the Legislative Finance Committee began its first-ever annual hearing on long-term revenue planning, further advancing long-term stability. In September 2024, the long-term forecast included more in-depth budget planning and spending forecasting to help lawmakers discern sustainable levels of budget growth.

As new stabilizing measures benefited state revenues, new sources of revenue volatility have emerged. For example, New Mexico's corporate income tax revenues are three times as unstable as the national average, mostly due to its reliance on oil and gas company taxes. Over the last 10 years, earnings on general fund balances managed by the State Treasurer's Office (STO) have become the most volatile source of revenue in the general fund as balances grow and earnings fluctuate. Although corporate income tax receipts and treasury earnings only make up 7.8 percent of revenues in FY24, volatility from these sources could contribute to shrinking or expanding revenue growth with little to no warning.

Finally, the Legislature continues to utilize stress tests of revenue estimates to inform reserve targets. During the pandemic, general fund reserves were used to prevent steep budget cuts, highlighting the success of stress testing. As the state continues to rely on surging volatile revenues, current stress tests indicate a need to maintain general fund reserve levels of at least 21 percent of planned spending, though needs could be higher depending on new commitments to recurring spending in the 2025 legislative session.

General Fund Revenues Dependent on Oil and Gas Industry
(percentage of recurring revenue)



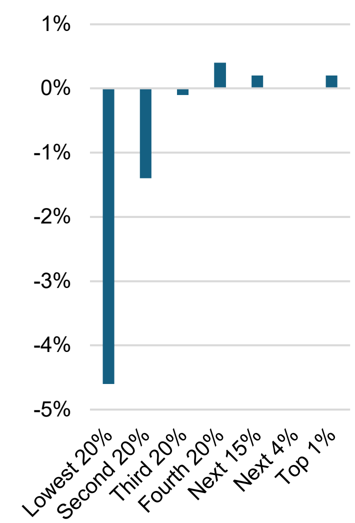
Source: December 2024

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 passed legislation that 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 be an estimated $778.7 million higher in FY25 and $834.5 million higher in FY26.

Impact of 2019-2024 Personal Income Tax Changes by Income



Source: LFC analysis of Institute on Taxation and Economic Policy data, January 2024

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.

For more info:
Taxation and Revenue Department Performance Page 160

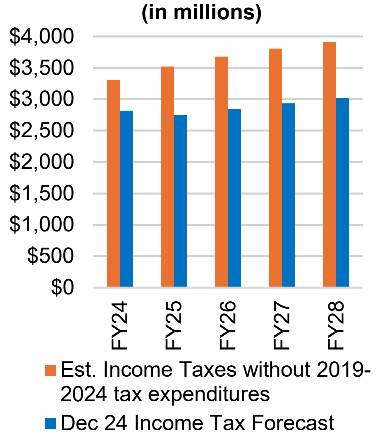
LFC Online: Understanding Government Finances

Finance Facts: Oil and Natural Gas Revenue

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 when including municipal tax remains above 7.5 percent, around the median combined rate of neighboring states because local governments raise rates and maintain large local GRT increments. Notably, New Mexico's state GRT rate is relatively low compared with other states, ranking 34th as of the latest rate reduction, 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

Impact of Tax Expenditures on Income Taxes (in millions)



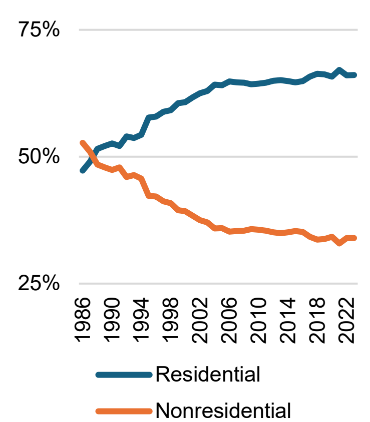
Source: LFC Analysis of Dec. 2024 Income Tax Forecast

The most significant recent tax policy changes include 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. In addition to targeted exemptions and credits, the Legislature also successfully restructured the personal income tax rates and income brackets in 2024 to increase the number of brackets, adjust the rates, and change the income range within each bracket. The new personal income tax structure decreased taxes for all taxpayers, with the rate decreases targeted at the lowest income earners. The personal income tax changes are expected to cost $176 million. The Legislature also passed over $126 million in credits and deductions targeting environmental policy, including electric vehicle tax credits, charging station credits, and heat pump incentives. The bill also included tax expenditures for healthcare and childcare and tax relief for victims of wildfires

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 in the 4.7 percent to 4.9 percent brackets.

Property Taxes

Share of Property Tax Value (excluding oil and gas)



Source: LFC Analysis of DFA Data

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 1.8 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 tax progressivity. Overall, the property tax in New Mexico is regressive, meaning lower income New Mexican's pay more of their income to property tax, although far less regressive than the gross receipts tax and most excise taxes.

After decades of piecemeal changes to the property tax code, New Mexico's property tax has been whittled away and created an unbalanced revenue structure for both state and local government. The split of aggregate property tax between residential and nonresidential properties has significantly changed over time, shifting the burden to homeowners from commercial properties. Prior to 1987, nonresidential properties were more than half the property tax base in the state, excluding oil and gas ad valorem properties. Around 1987, residential property values took over a greater share, and the share relative to nonresidential values continues to grow. In 2023, residential property constituted 66 percent of non-oil-and-gas property tax values in the state, reflecting the large shift away from commercial property. To address an imbalance in property tax burdens and ensure fairness in assessments, policymakers could consider implementing full or partial disclosure of property values for nonresidential properties.

The erosion of property tax revenues due to assessment limits and yield control has diminished property taxes as an important source for local governments. According to the U.S. Census Bureau's survey of government tax collections, property taxes are the largest share of local government revenue, accounting for 30.1 percent on average. In contrast, New Mexico's local governments rely less on property taxes, with only 18.8 percent of their income derived from this source. Instead, they heavily depend on gross receipts tax revenue, ranking 10th in the nation for total reliance on this tax, while reliance on personal income tax (PIT) and property tax falls in the bottom quartile. Lagging property tax revenues have contributed to state subsidies of local governments, which have grown significantly in recent years. New or growing distributions from the fire protection fund, local government road fund, county detention fund, law enforcement protection fund, DWI grant fund, local capital outlay, water projects, and more have grown by hundreds of millions of dollars since the pandemic as local governments seek additional funding from outside the property tax.

Selective tax exemptions have further eroded local and state revenue by removing large swaths of properties from the tax base. The selective tax exemptions, for elderly, disabled, and military veteran 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 tax equity or straining local budgets.

Other Tax Issues

Various tax credits, deductions, and exemptions have narrowed the tax base and encouraged high tax rates. While revenues are currently at record highs and the erosion of the tax base is not an immediate concern, any shocks to the state's main revenue streams, namely oil and gas revenues, GRT, and income taxes, could jeopardize future budget levels. Narrowing the tax base, especially with piecemeal tax breaks, often results in inequities in taxation across demographics or income levels and creates uneven playing fields for businesses providing the same products or services. Tax reform should include a comprehensive review and consideration of eliminating, capping, or adding sunsets to existing tax expenditures to broaden the tax base and avoid picking winners and losers within the tax code.

Growth in tax expenditure programs underlines the importance of a need for oversight. Economic development tax incentive spending doubled in FY24, jumping to $578.7 million. In FY24, business tax incentives would have been the third largest state agency in FY24 if they were appropriated general fund revenue. The largest increases were tax incentives for manufacturers, which cost the state $389.3 million in FY24, triple what it cost in FY23. Economic development literature suggests tax incentives are among the costliest economic development strategies for job creation.

LFC TAX POLICY PRINCIPLES

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

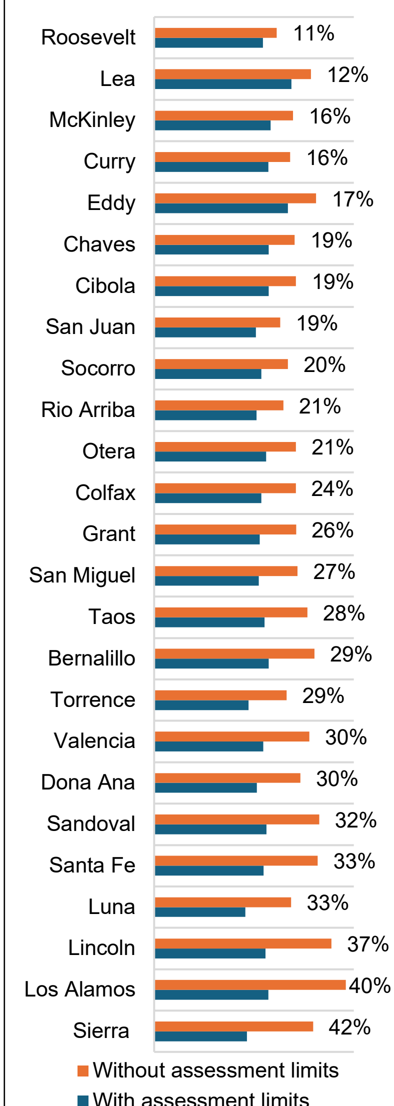
Efficiency: Tax base should be as broad as possible and avoid excess reliance on one tax.

Equity: Different taxpayers should be treated fairly.

Simplicity: Collection should be simple and easily understood.

Accountability: Preferences should be easy to monitor and evaluate.

Estimated Valuation Impact of Assessment Limits of Home Purchased in 2010



Source: LFC Analysis

Other State Support to Local Governments:

NM Finance Authority:
- Drinking Water Revolving Fund
- Local Government Planning Fund
- Water Trust Board Project Fund
- Colonias Infrastructure Fund

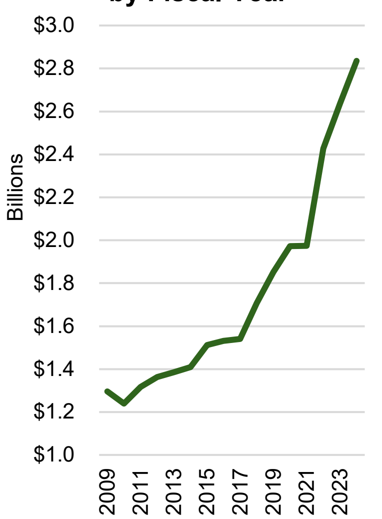
Economic Development Depart.:
- Outdoor Equity Fund
- Outdoor Recreation Trails+ Grant
- New Mexico MainStreet Program
- Local Economic Assistance & Development Support

Environment Department:
- Clean Water State Revolving Fund
- Solid Waste Facility Grant Fund
- Rural Infrastructure Fund

Depart. Of Finance and Admin.:
- Enhanced 911 Program
- Board of Finance Emergency Fund
- Law enforcement recruitment & retention funding
- Recreation & Quality of Life Grant
- Federal Grant Matching Assist.

Transportation and Other:
- Municipal Arterial Program
- Cooperative Agreement Program
- Transportation Projects Fund
- Traffic Safety Program
- Broadband Access & Expansion Fund (DoIT)

Net GRT and Hold Harmless Distributed to Local Governments by Fiscal Year



Source: TRD Distribution Report

Despite these risks, the Legislature lacks comprehensive information to conduct its important oversight functions. New Mexico is among the minority of states without a rigorous and routine evaluations of its tax expenditures. For example, over two-thirds of states have adopted rigorous and routine evaluations of economic development tax incentive programs, according to Pew Charitable Trusts. New Mexico's last evaluation of economic development tax expenditures was conducted in 2012. That evaluation noted the lack of a comprehensive and regular analysis process in New Mexico. Granting the Legislature access to data to conduct tax expenditure evaluations and requiring routine reporting among large state programs are key first steps in strengthening the Legislature's oversight capabilities.

Local Government Revenues and Finance

Local governments in New Mexico rely on state and local revenue sources to support their operations, including gross receipts taxes and dedicated state funds, which have grown significantly. However, comparing complete revenues and expenditures across localities remains challenging due to the absence of detailed data.

Local Gross Receipts and Compensating Taxes

Across New Mexico, the gross receipts tax (GRT) rate varies from 5.25 percent in Lincoln and Lea counties to 9.4375 percent in Taos Ski Valley. The total rate combines rates imposed by the state, counties, and municipalities. Businesses pay the total GRT to the state, which then distributes the county and municipal portions.

Since the state's first GRT reduction took effect July 1, 2022, nearly 30 percent of local governments raised their local GRT rates, and of those 30 percent, 22 municipalities and one county raised rates between 0.25 percent and 0.6125 percent, resulting in a net increase in taxes for their residents.

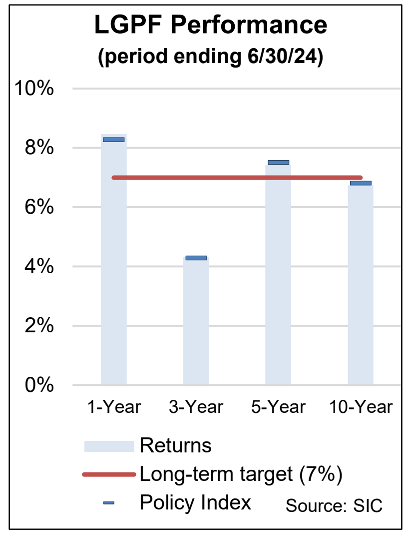
In addition to gross receipts taxes levied by local governments, municipalities receive a share of the state's GRT collections. The so-called "municipal distribution," established in statute as 1.225 percent of the taxable gross receipts, is currently equal to 25.1 percent of the state's GRT collections in that municipality's boundaries. Because the municipal distribution is a fixed rate, the share of GRT revenue that municipalities receive grows as the state GRT rate falls.

Furthermore, destination-based sourcing, which bases the tax rate on the location where the goods or service will be used rather than the location where they were created, has significantly boosted local GRT revenues on net since it was implemented on July 1, 2021. By including more economic activity in the municipal and county tax base, local GRT distributions have grown $861.2 million, or 43.6 percent, in three years. Of the total $2.8 billion in local GRT distributed in FY24, $720.6 million was from the state's share of GRT collections in municipalities, growing 43.6 percent since the change in sourcing.

In addition to more activity sourced to local governments, the change to destination sourcing allowed for and created new distributions of the state compensating tax to local governments. The compensating tax, or a use tax that applies on some transactions when the GRT does not apply, is now subject to local increments and provides new revenues to local governments.

Markets performed well in FY24 as investments benefited from a resilient economy and strong market conditions, with forecasters cautiously optimistic for a "soft landing," where inflation eases without the economy tipping into recession. The state's risk-averse allocations generally performed worse than peer funds in the one-year period amid strong markets.

Propelled by oil and gas revenues and large investments by the Legislature, the combined investment holdings of the state's five largest funds have increased significantly. Total balances are at record highs and total balances increased by 15 percent, the highest increase in the last 10 fiscal years.



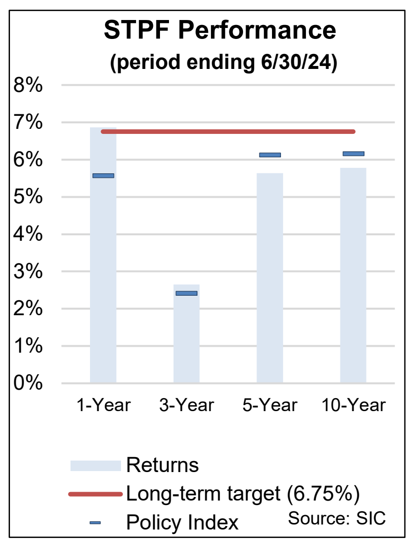
Performance Overview

The ending value of the state's primary investment holdings in FY24—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 fund (ECECF), and the land grant and severance tax permanent funds managed by the State Investment Council (SIC) —grew by $10.7 billion, or 15 percent, to end the fiscal year at $82.7 billion. Over the last five years, the state's combined investment holdings grew by $30.3 billion, or 57.7 percent.

Asset Values for Year Ending June 30, 2024
(in millions of dollars)

Annual	ERB	PERA	LGPF	STPF	ECECF	Total
Asset Value	$17,118.7	$17,501.6	$31,201.4	$9,735.0	$7,150.6	$82,707.3
Value Change	$1,097.9	$843.8	$3,401.8	$1,839.0	$3,581.1	$10,763.6
Percent Change (year-over-year)	6.9%	5.1%	12.2%	23.3%	100.3%	15.0%

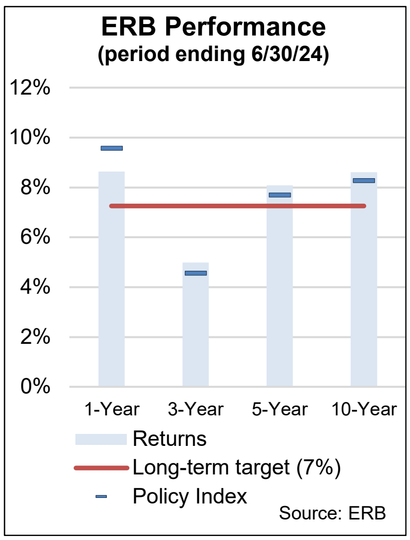
Note: Percent change includes investment returns, contributions, and distributions.
Source: Investment Agency Reports



Returns for the permanent funds are mixed. The LGPF exceeded its target of 7 percent in the one- and five-year periods. The STPF only exceeded its target of 6.75 percent in the one-year period. The State Investment Council recently approved a new asset allocation expected to produce a long-term return of 6.8 percent, which was exceeded in the one-year period but not in the three-year period.

The Severance Tax Bonding Act authorizes various economically targeted investment (ETI) strategies for the STPF that permit a below-market rate of return for investments intended to stimulate the economy of New Mexico. While many legislative authorizations are currently inactive, if all ETI allocations in statute were fully implemented by SIC, it would result in more than three-quarters of the STPF being placed in below-market investment strategies. The below-market returns on economically targeted investments contribute to poor STPF performance.

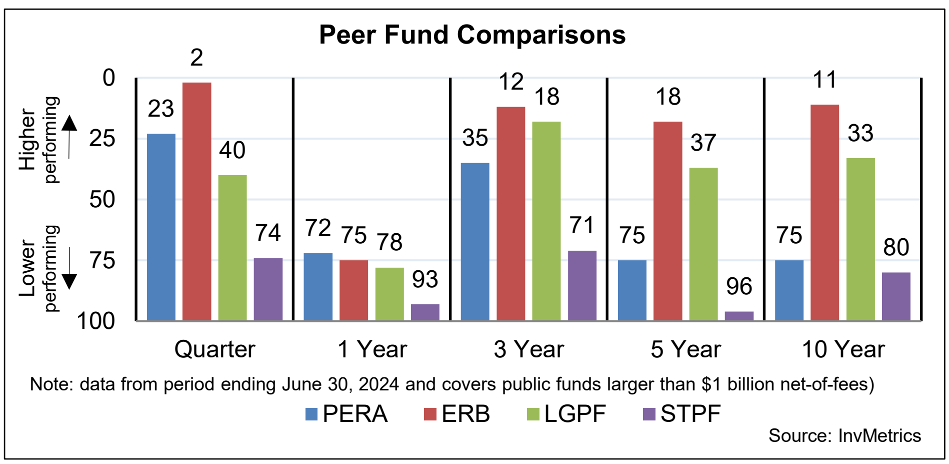
Both pension funds met their long-term targets of 7.25 percent (PERA) and 7 percent (ERB) for the one-year period. ERB exceeded targets in each period except for the three-year period, continuing a yearslong streak as the state's top-performing large investment fund. ERB also had the best risk-to-return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

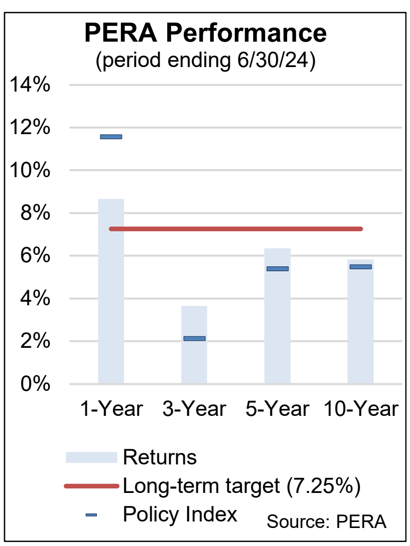


Performance Relative to Peers

When compared with peer funds greater than $1 billion on a net-of-fee basis, all New Mexico's large investment funds performed in or near the bottom quartile in the one-year period but performed better in the longer periods. In general, ERB and the LGPF performed the best compared with the other large New Mexico investment funds, with ERB coming in as among the best performing funds in the quarter period and near the 10th percentile for the three-, five-, and 10-year periods. The STPF performed poorly compared with peer funds and was the only fund to perform near or below the 75th percentile for every period due to differential rate New Mexico investments, which have generated low 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.





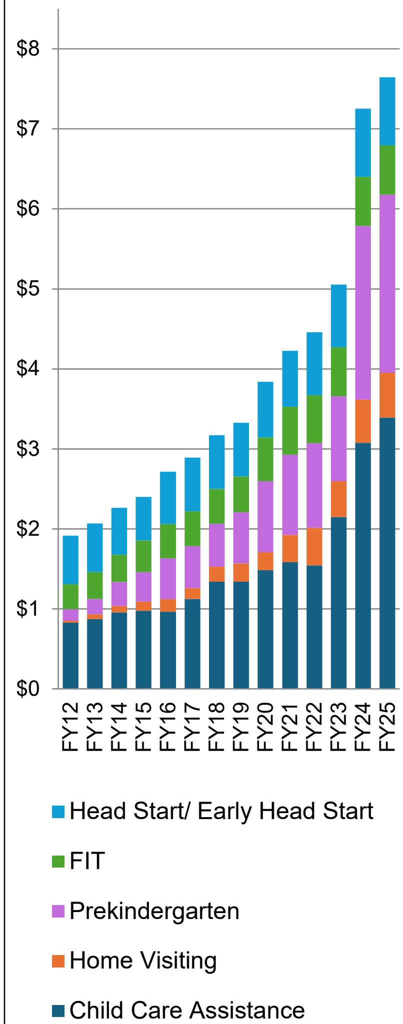
Asset Allocations

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. Four 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 (69 percent) in alternative invetments, such as real estate, real assets, and private equity.

Recognizing that secure, stable, and nurturing environments are critical to improving child well-being, the Legislature has made historic investments in programs to support families and improve long-term outcomes for children. Effective, intentional, and high-quality child well-being systems aim to reduce adverse childhood experiences—such as emotional and physical abuse, neglect, household substance abuse, parental incarceration, and other potentially traumatic events—that hinder a child's development and increase the long-term risk of substance abuse, behavioral health issues, low educational attainment, and other negative outcomes. However, the successful delivery of high-quality services is essential. Despite the significant increase in investment, the state has encountered challenges in implementing these services. Policymakers must now focus on ensuring the delivery and quality implementation of services shown to work to maximize the impact of these investments.

Recurring Early Childhood Funding History (in hundreds of millions)



Source: LFC Files

Early Childhood Care and Education

Early Childhood Funding

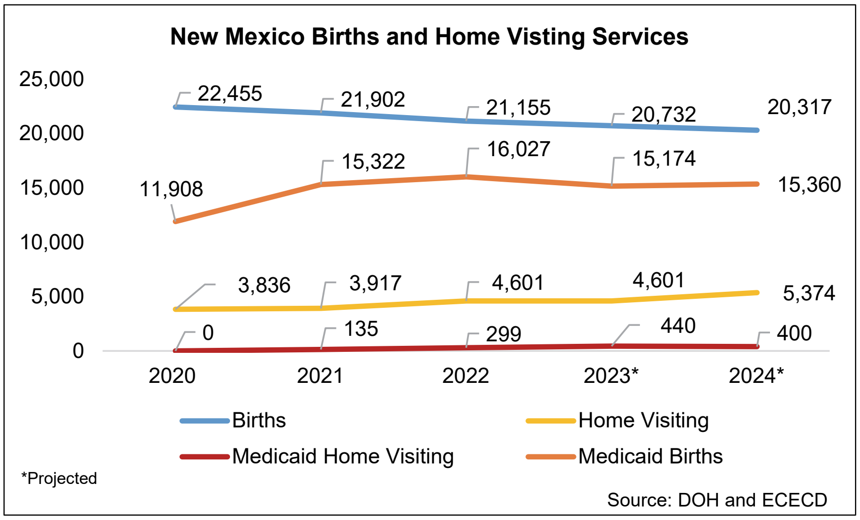
Funding for the New Mexico early care and education system increased almost five-fold between FY12 and FY25, from $136 million to $709.4 million, and this does not include federal Head Start and Early Head Start funding, $78 million in FY25. A significant portion of early childhood spending comes from the state general fund. In addition, the early childhood care and education fund (often called the early childhood trust fund or ECTF), created in 2020 with $300 million, has grown to $11.7 billion through the automatic deposit of excess federal mineral leasing and state oil and gas school tax revenue and investment gains, and is expected to generate $36.3 million in annual distributions by FY29. Further, voters approved an amendment to the state's constitution in 2022 that will increase the distribution from the land grant permanent fund to potentially provide $178.3 million in revenue to early childhood programs in FY26.

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, the Early Childhood Education and Care Department's (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

For more info:

Early Childhood Education and Care Department Performance Page 104



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. Between FY17 and FY22, funding increased by 216 percent, but family enrollment increased by just 53 percent, primarily because Medicaid-funded home visiting did not meet its enrollment targets.

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.

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 must tackle to realize the expected improvements in outcomes. While home visiting promises positive returns on investment, these returns are contingent on

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.

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 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. However, it is presently only offered by two providers and accounted for less than 10 percent of all contracted slots statewide in FY22.

To maximize the benefits of home visiting, it is crucial families successfully complete the program. In 2023, only 7 percent of families exiting the Home Visiting Program did so after completing it. This figure falls well below national averages, which typically hover around 50 percent. Implementing incentives to enhance recruitment and retention may be imperative to improving family participation in these programs.

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 programs such as Childcare Assistance, New Mexico PreK, or the federal Head Start program. In fact, 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.

Research conducted by LFC staff has demonstrated participation in prekindergarten programs is associated with a 10 percent increase in college enrollment rates. This evidence is supported by a wealth of research and consistent findings from LFC evaluations, which show New Mexico prekindergarten programs consistently enhance math and reading proficiency among low-income 4-year-olds, reduce special education and retention rates, increase high school graduation rates, and mitigate the adverse effects of school changes during the academic year.

Although data consistently underline the positive influence of prekindergarten programs on test scores for kindergarten participants, a 2020 LFC program evaluation found the New Mexico prekindergarten program lacked effective quality metrics. LFC recommended ECECD begin implementing a valid and reliable tool to evaluate teacher-child interactions because the quality of classroom interactions can significantly impact student performance. In FY25, the

Adverse Childhood Experiences

The original study on adverse childhood experiences, conducted by the U.S. Center for Disease Control and Prevention in the mid-1990s, found a strong relationship between adverse experiences and a child's development and long-term risks. Reducing the number of adverse experiences− at risk families often have more than one− can break the negative generational cycle and improve health and well-being. Similarly, because the basic architecture of a child's brain forms in the first few years of life, research shows these earliest years may present the most significant opportunity to remediate developmental delays and address the cognitive and social delays that can result from less stimulating emotional and physical environments, as well as the severely diminished neurological development that can result from unstable and stressful environments.

LFC Online: Understanding Government Finances

Finance Facts: Early Childhood Services

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

2024 Federal Poverty Levels

Household Size	100%	200%	300%	400%
1	$15,060	$30,120	$45,180	$60,240
2	$20,440	$40,880	$61,320	$81,760
3	$25,820	$51,640	$77,460	$103,280
4	$31,200	$62,400	$93,600	$124,800
5	$36,580	$73,160	$109,740	$146,320
6	$36,580	$83,920	$125,880	$167,840

Source: HHS

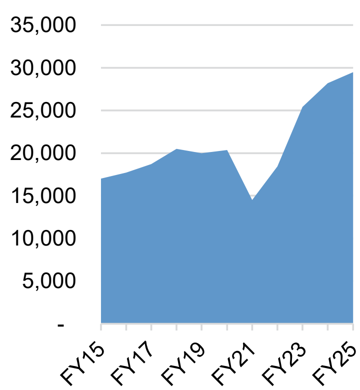
department reintroduced the classroom assessment scoring system (CLASS), a validated tool that assesses prekindergarten quality across three domains: emotional support, classroom organization, and instructional support.

Childcare Assistance Spending

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 by about 65 percent over the last eight years.

ECECD announced expanded income eligibility for families in July 2021 that raised the family income limit to 400 percent of the federal poverty level (FPL), up from 200 percent. Childcare Assistance subsidizes childcare costs for families with children between the ages of 6 weeks and 13 years with incomes up to $120 thousand for a family of four. In addition, the department created subsidies for parents and other caregivers who work or attend training or education programs.

Childcare Assistance Enrollment by Fiscal Year (September 2024)



Source: ECECD

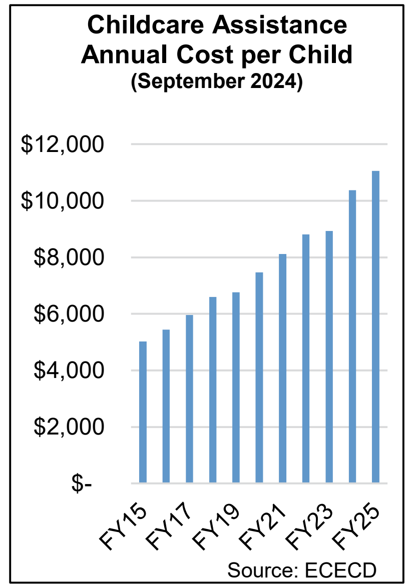
In addition to expanded eligibility, ECECD switched to a cost-based model—it previously used a market-rate survey—for determining its reimbursement rates for childcare providers, effectively increasing the provider rates. The cost estimation model sets rates based on costs reported by childcare providers in the delivery of service, based on the type of care, age of the child, and state licensing and quality requirements. Childcare Assistance rates may influence the state's private pay market, and ECECD should ensure rates are affordable for families ineligible for assistance.

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 FY24, the average cost per child rose to $865, or 16 percent above the previous fiscal year, resulting in an estimated cost of approximately $10.4 million annually for every additional 1,000 children enrolled.

Childcare Assistance enrollment has greatly surpassed prepandemic levels, reaching nearly 29.5 thousand children at the end of the fiscal year. ECECD projects the Childcare Assistance program will continue to grow given expanded eligibility and the low co-payments. Prepandemic levels were ranged closer to 21 thousand.

ECECD has requested a significant funding increase in FY26 to continue eligibility and rate increases. The department requested an additional $96.5 million to expand childcare assistance to an additional 5,000 children. However, it is unclear if the funding would expand childcare capacity for or shift existing capacity from other revenue sources to state revenues.

Workforce Participation. LFC analysis has not shown expanded eligibility in childcare assistance resulted in increased workforce participation at the population level 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 the 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.



Infant and Toddler Service Capacity. Childcare and prekindergarten services for 3- and 4-year-olds are readily available, but options are significantly reduced for children under the age of 3, with infant childcare being the scarcest. According to LFC analysis, in 2018, infant and toddler care for children from birth to age 2 was only available through 7,000 slots provided by Childcare Assistance and Early Head Start. Families with children 2 years old and younger tend to rely more on parental support and early intervention services, such as paraprofessional home visits, the federally funded Women, Infants and Children nutrition program, and the Families, Infant, Toddlers intervention program, which caters to children with developmental disabilities and specific medical conditions. Given these circumstances, a comprehensive assessment of early care options for families with young children should become a focal point for the Early Childhood Education and Care Department.

Workforce. According to the National Conference of State Legislatures (NCSL), children under the age of 5 across the nation spend on average over 30 hours per week in the care of nonparental caregivers, including center- and home-based childcare, prekindergarten, and informal arrangements. Research suggests young children enrolled in high-quality early learning programs can experience improved outcomes. Early childhood professionals play a pivotal role in ensuring quality care and improving child outcomes. Consequently, having a well-trained and stable workforce is essential for the effective functioning of an early childhood system. However, certain studies have indicated that low wages and a lack of education can result in workforce turnover.

LFC Online: Understanding Government Finances

Finance Facts: Childcare Assistance and Licensing

Previous programs by the executive to decrease workforce turnover have included pay incentives. In October 2022, ECECD announced it would also provide a grant-based pay incentive of $3 an hour per worker to licensed childcare providers, regardless of current income, position type, or if the provider accepts childcare assistance. The department estimated the cost of the grants to be $77 million annually and launched the program using one-time federal American Rescue Plan Act (ARPA) funding. Performance outcome goals were unclear, and the grant conflicted with the anti-donation clause in the state constitution that prohibits state spending on private interests in most cases.

As an alternative, the Legislature appropriated $15 million for a pilot to supplement the wages for infant and toddler workers to support service expansion. ECECD awarded a portion of the appropriation infant and toddler early childhood education worker pay pilot and payments began as of September 1, 2024. Additionally, ECECD will also be contracting with UC-Berkeley Center for the Study of Child Care Employment to conduct the evaluation of the program.

Many states are focusing on improving early childhood professional credentials and wages by reevaluating wage and workforce structures and establishing workforce registries. ECECD is currently developing an early childhood workforce registry, the Professional Development Information System (PDIS), set to launch in 2025. This system will track the wages, training, and credentials of its contractor and grantee workforce. Nationally, numerous states have either implemented or are in the process of creating early childhood workforce registries, enabling workers to monitor their professional development and plan future training.

For more info:

Children, Youth and Families Department Performance
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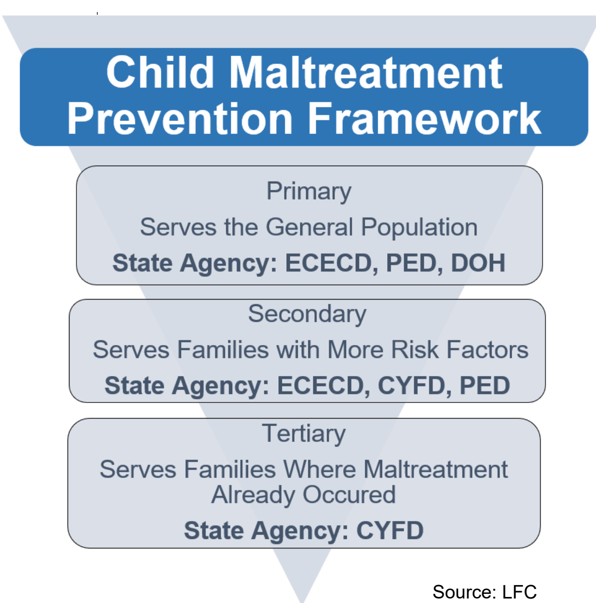
Implementing a workforce registry in New Mexico would provide accurate, up-to-date information that can inform policies and funding dedicated to workforce support, as well as lay the groundwork for future workforce lattice systems. Workforce lattices assist early childhood professionals with aligning education and credentials with wage increases based on additional professional development and qualifications. Several states have effectively integrated registries with their state's lattice systems, facilitating comprehensive and mandatory certification requirements while promoting high-quality training in fields like child development.

New Mexico has already established standards for early childhood education programs that encourage ongoing professional development and credentials. However, professionals need support to attain bachelor's degrees in early childhood education. Moving forward, a continued focus on key system supports, such as the adoption of a state early childhood workforce lattice, is crucial.

Furthermore, fostering collaboration between higher education institutions and early childhood education centers is essential. This collaboration can facilitate research, knowledge-sharing, and mentorship programs to ensure the latest research and evidence-based practices are integrated into early childhood education curricula. Promoting diversity and cultural inclusivity in early childhood education should be a priority, involving the development of curricula that reflect the experiences and backgrounds of a diverse student population and providing training for teachers in inclusive practices.



Source: LFC

Support for ongoing research and evaluation of early childhood education policies and programs is also necessary. This will help inform evidence-based decision-making, identify effective strategies, and drive continuous improvement in the field of curriculum planning and teaching methodologies.

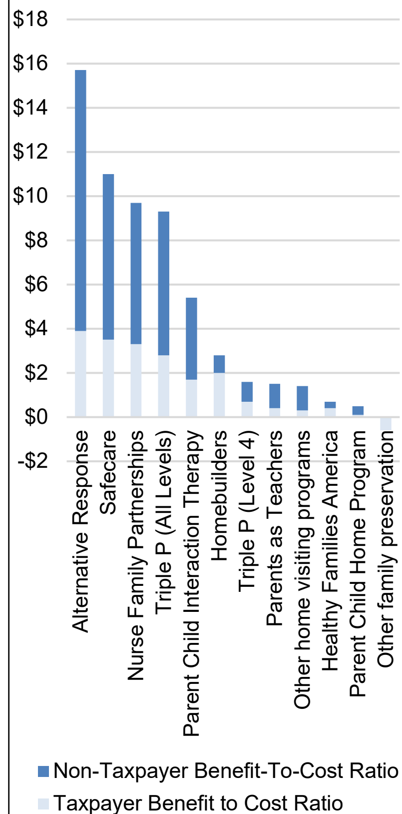
Family Preservation

New Mexico is consistently among the poorest performing states when it comes to repeat child maltreatment. 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 as obstacles to reducing maltreatment to a rate closer to the national average. 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 $831 thousand.

In recent years, New Mexico has made significant investments to deliver programs to support families living in poverty, including expanding Medicaid and childcare assistance. Though, as a 2023 LFC study about the state's implementation of income supports found, while income support programs provide immediate benefits, they have not coincided with population-level decreases in poverty. Additionally, LFC reports have found many families are likely not enrolled in all of the programs for which they are eligible.

Within child maltreatment prevention, 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.

Total Benefit to Cost Ratio by Program

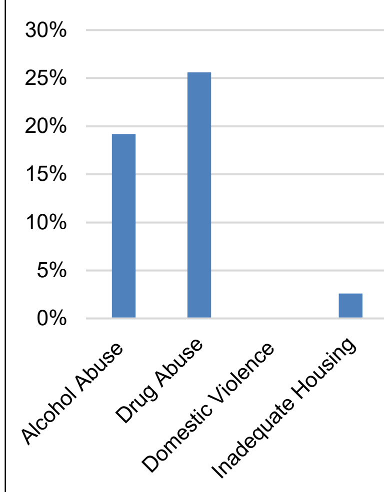


Source: LFC Files

Prevention

Leading drivers of child maltreatment in New Mexico include parental substance use, poverty, 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 by far are caregiver alcohol and drug use.

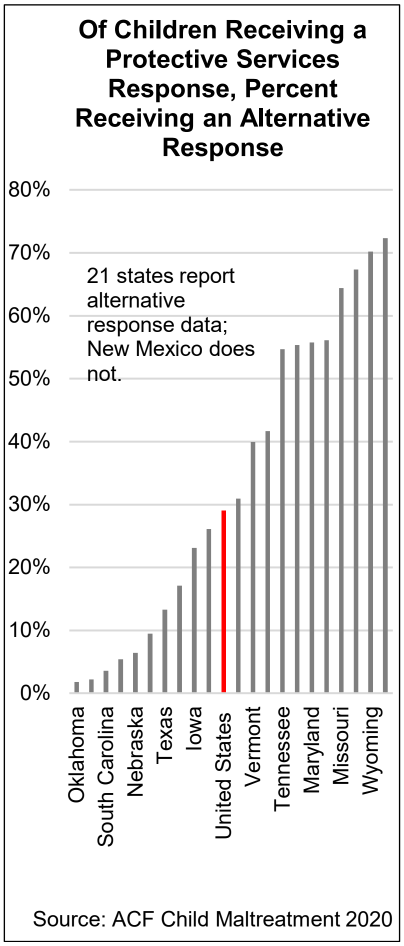
Child Victim Caregiver Risk Factors N.M 2022

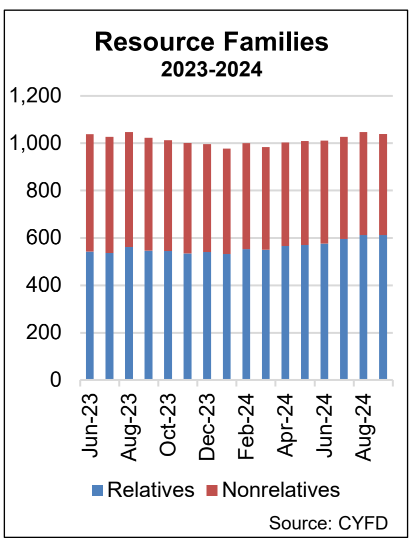


Source: ACF Child Maltreatment 2022

The federal government and much of the rest of the country is focusing on prevention and working to avoid family separation, which can result in costly and traumatic placements in the childwelfare system. Federal policy and research encourage states to implement interventions to preserve families, when possible. However, research and evaluation in New Mexico have found the state is not implementing robust, evidence-based in-home services that could prevent the need for family separation. The federal Family First Prevention Services Act, 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 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.

In 2022, CYFD first submitted a federal Family First Preventions Services Act (FFPSA) plan. The purpose of the plan is to begin using federal funding to establish prevention and intervention programs identified in the federal Title IV-E clearinghouse, such as Healthy Families America, Home Builders, and SafeCare. To date, the state's plan has not been approved. The state's draft Family First Plan notes Title IV-E Prevention Program funding will be used to support an expansion





of CYFD's existing in-home services and to expand evidence-based programs delivered by ECECD. The programs CYFD proposed directly running are not currently eligible for federal Title IV-E reimbursement and are not currently rated in the Family First Prevention Services clearinghouse as evidence-based. Instead, the plan proposes ECECD will primarily be responsible for implementing the evidence-based programs listed in Family First Prevention Services Clearinghouse. The plan also now proposes CYFD will consider implementing SafeCare, an evidence-based home visiting program, and motivational interviewing, a form of counseling that aims to promote behavior change.

Alternative Response. In 2019, New Mexico enacted legislation to create a multilevel, or alternative response, model. In a traditional alternative response model, reports of maltreatment are split into two tracks: investigation or family assessment. In an alternative response to the traditional investigation model, 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.

LFC analysis suggests alternative response may have a return on investment of roughly $12 to $16 for every $1 invested and, if implemented with fidelity, can result in improved child safety and reduced instances of repeat maltreatment. However, several LFC reports have flagged concerns CYFD has not implemented differential response 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.

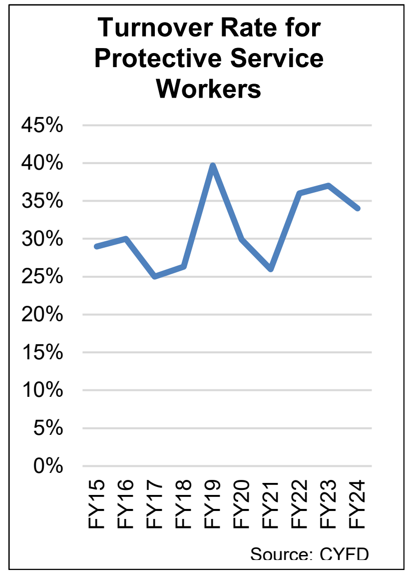
In 2024, the Legislature appropriated $4.2 through the Governmental Results and Opportunity (GRO) fund to pilot and evaluate implementation of differential response in accordance with statute. CYFD is now receiving technical assistance from Casey Family Programs to prepare to expand alternative response statewide and to deliver the approach to low-to medium-risk cases, as research recommends. However, no timeline for implementation has been shared, and the agency has not completed statutorily required reporting in the last two years.

Community-Based Placements

CYFD may potentially be over-removing children. 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, but 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. In federal fiscal year 2023, 394 (29.6 percent) of CYFD-reported removals were short-stays, foster care placements of less than 30 days. 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.

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 2024, 2,094 children were in foster care.

While many states historically relied on congregate care, or group home, 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. New Mexico has historically had lower rates of congregate care placements. 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. The Child Welfare Information Gateway reports living with a family generally improves child and youth well-being, reduces trauma, and promotes normalcy.

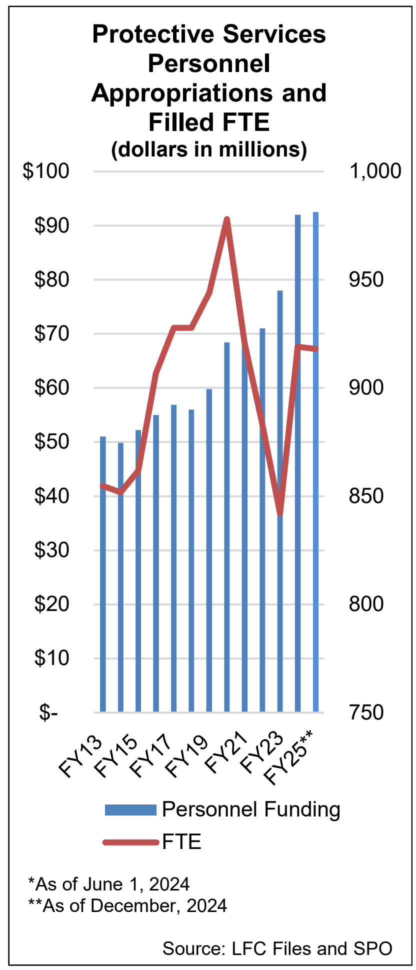


In addition, the *Kevin S. et al. v. Blalock*, et al. case filed in 2018 against CYFD and the Human Services Department (now the Health Care Authority) alleged trauma-impacted youth in New Mexico foster care lacked safe, appropriate, and stable placements and behavioral health services. The settlement 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 the use of congregate care placements, unless medically necessary.

Resource Home (Foster Care Provider) Trends. Over the last year, the number of licensed resource homes in New Mexico remained relatively flat and has experienced some churn.

CYFD reports efforts to recruit foster care providers, though these efforts have not translated to significantly more resource home providers. CYFD also reports plans to devote several positions within Protective Services to the recruitment and retention of resource families and to implement Foster Care Plus, a model developed in Oklahoma to train and support foster families. However, through 2024, no significant increases in resource home placements were reported.

Finally, in 2024 CYFD has moved forward with plans to open two multiservice homes (group homes) for hard-to-place youth in state care. While these homes may alleviate the need for children to sleep in CYFD offices, these congregate care settings are not a best practice, and they are ineligible for federal funding.



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.

Top 15 Offenses for Juvenile Delinquent Referrals FY23

	#	% of Total
Battery	913	11.2%
Batter (household member)	510	6.2%
Possession of cannabis products	415	5.1%
Public affray	399	4.9%
Resisting, evading, an officer	262	3.2%
Criminal Damage to Property	253	3.2%
Possession of alcoholic beverage	208	3.1%
Interferences with public or officials	173	2.5%
Possession of Synthetic Cannabinoids (in school zone)	171	2.1%
Aggravated assault (deadly weapon)	144	2.1%
Unlawful carrying of a deadly weapon on school premises	127	1.8%
Use or possession of drug paraphernalia	124	1.6%
Shoplifting ($250 or less)	124	1.5%
Possess w/ intent to distribute cannabis (within school premises)	124	1.5%
Criminal damage to property (household member)	106	1.5%
Top 15 Offenses for Delinquent Referrals Total	**4053**	**49.6%**
Total Delinquent Referrals	**8,166**	

Source: CYFD

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 three years, the Legislature has appropriated $80 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.

In recent years, the Legislature has also increased appropriations for Protective Services staffing. Appropriations to the CYFD personnel budget increased from $52 million in FY15 to $92.5 million in FY25, an increase of 77 percent. In FY15, Protective Services had an average of 862 filled FTE, while Protective Services had 908 filled FTE at the start of FY25, an increase of 5 percent. In addition, in FY24 the Legislature funded a nonrecurring $3 million appropriation to support the CYFD workforce development plan, in response to the *Kevin S.* settlement, to include secondary trauma self-care support, training and professional development, local recruitment campaigns, recruitment incentives for licensed social work graduates in New Mexico and other states to work in protective services, caseload improvement and cross-training, evidence-based core competency model development, and mentorship and leadership program development. This appropriation went largely unused and was reauthorized for FY25. In 2023 and 2024, the department took several actions to address workforce shortages, such as increasing salaries for certain hard-to-fill front-line positions and holding rapid-hire events to recruit staff. Yet, CYFD experiences high rates of turnover 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. In FY24, the rate of turnover among Protective Services caseworkers hovered around 30 percent.

Juvenile Justice

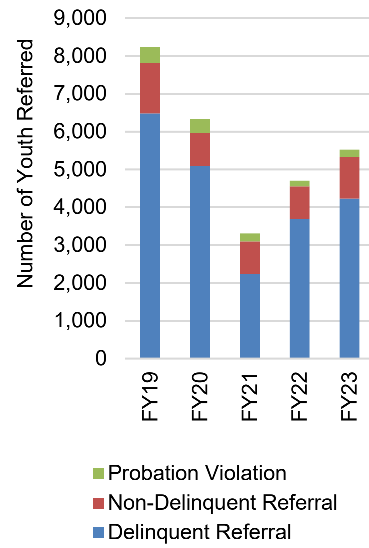
New Mexico has over 16 years of experience implementing a series of evidence-based reforms within juvenile justice, including using data to diagnose and understand system trends, relying on objective admission criteria and risk-assessment tools to guide detention admission decisions, and using community-based 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, referrals for juvenile crime reached an all-time low, but they began to tick up in FY22. Between FY22 and FY23, referrals to Juvenile Justice Services increased by 18 percent, although they remained well below prepandemic levels. In FY23, a total of 5,528 juveniles were referred to Juvenile Justice Services, an increase of 828 juveniles, but well below the 8,230 juveniles referred to JJS in FY19. Once referred to JJS, 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 FY23, 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 in FY24 and the beginning of FY25. In FY24, CYFD reports average daily census in the state's secure facilities averaged 96 young people, following a low of 80 in FY23, and average daily census exceeded 100 in the first quarter of FY25. While census in secure facilities has increased, the secure population remains below the overall capacity of the state's two operational secure facilities.

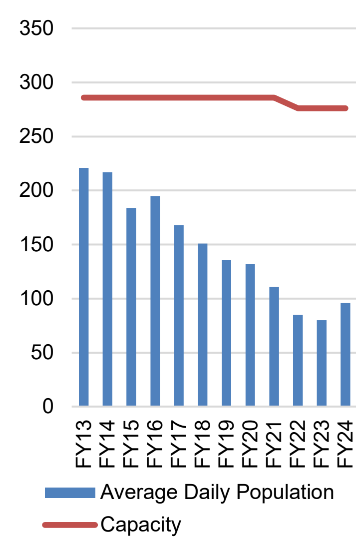
LFC has also found issues with implementation of previous reforms, including changes to the validated risk assessment tool, lack of delivery of evidence-based and other behavioral health services, including multisystemic therapy and juvenile treatment courts.

Juvenile Justice Referrals by Type



Source: LFC analysis of CYFD

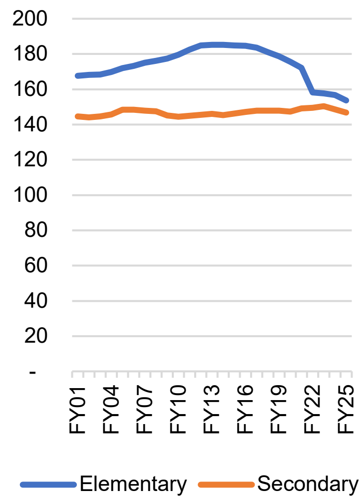
JJS Secure Facility Population



Source: CYFD

Education

Public School Funded Students
(in thousands)



Source: LFC Files

For more info:

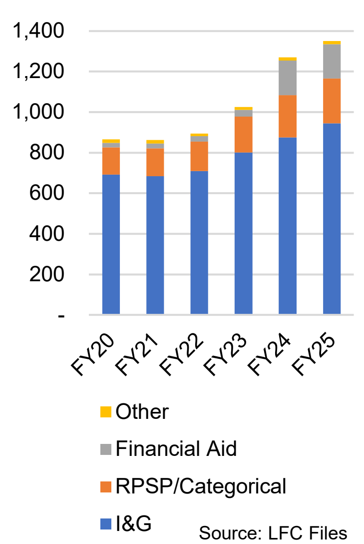
Public Education Performance Page 98

The Legislature has used an unprecedented oil and gas revenue surge to make historic investments in both public school and higher education. These investments include additional funding for teacher preparation and training, increases for career and technical education, and a trust fund to guarantee tuition assistance to college students. However, additional appropriations alone are unlikely to improve student outcomes. New Mexico already ranks high in funding per student but is routinely among the poorest performers in the nation in terms of kindergarten-12th grade academic achievement and graduation rates at high schools and colleges. With significant revenues, the state has a unique opportunity to test what works best before making larger investments for the long term.

While the state sends students on to college at a rate comparable to the rest of the nation, the low student retention has led to the proportion of New Mexicans with a college degree falling from 29th in 2006 to 41st by 2022. New Mexico's lower education attainment levels, along with other factors, drive a labor participation rate, the share of working-age adults working or looking for work, that is among the lowest in the country. This low labor force participation and falling education level is an economic liability and comes with significant associated costs in terms of lower incomes and slower growth. Declining student populations from the school system will further constrain the labor pool in future years, assuming achievement and graduation rates hold steady.

With slower revenue growth and a shrinking population on the horizon, the state will face greater pressure to increase labor force participation rates. Absent an increase in birth rates or in-migrations, the state must increase educational attainment levels from existing cohorts to sustain the labor pool and boost earnings while ensuring educational resources are leveraged effectively. Declining enrollment presents an opportunity for schools and higher education institutions concentrate resources more effectively to achieve improved student outcomes.

General Fund Higher Education Spending
(in millions)



Source: LFC Files

Enrollment and Efficiency

Enrollment in elementary and secondary schools has fallen 9.5 percent in New Mexico from peak enrollment nine years ago—a decrease of 31.5 thousand students. Public school student counts in the funding formula fell to 300.4 thousand students in FY25, a decrease of 5,080 students, or 1.7 percent, from FY24. The trend of declining enrollment is likely to accelerate due to lower birth rates, as reflected in recent shrinking kindergarten classes. While secondary schools will continue to see relatively flat enrollment trends for at least another three years as the largest cohort finishes high school, this pool of students will thereafter begin a steady decline—reducing the number of potential graduates and workforce participants into the foreseeable future.

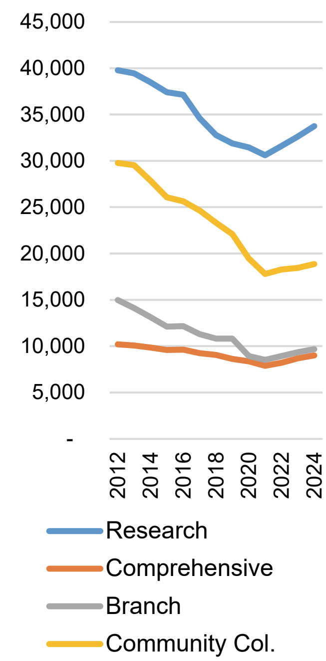
A Closer Look Online Enrollment in Higher Education

Colleges across the country have rushed to expand their online campuses as overall higher education enrollment has faltered and is expected to decline in coming years. New Mexico colleges and universities delivered 45 percent of their credit hours online in the 2022-2023 academic year, a 34 percent increase from academic year 2019-2020.

An LFC evaluation of online higher education found the New Mexico higher education system is not realizing millions of dollars in efficiencies with online education. Online higher education classes in New Mexico, even common general education courses, have few students on average. However, by sharing online courses across college systems and increasing lower level online class sizes to 30 students, colleges could save up to $5.7 million annually. The expansion of online higher education also has profound implications for facility need. The number of New Mexico college students taking all their classes on campus decreased 63 percent over the past decade, yet building space only decreased by 2 percent. The result is that New Mexico colleges are most likely underusing building space.

While overall K-12 enrollment declines, higher education enrollment increased for the third consecutive year in fall 2024. 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. The impending public school enrollment slide will also reduce higher education enrollments moving forward.

FTE Enrollment by College Type



Source: HED

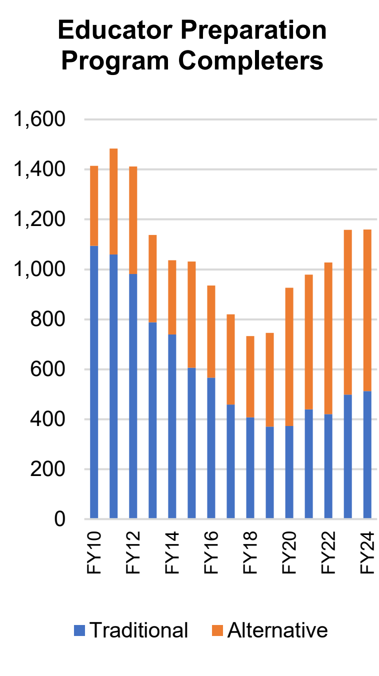
Right-Sizing Physical Space

The enrollment reduction at higher education institutions statewide is compounded by a significant increase in online enrollment, resulting in many campuses having fewer than half of the students physically on campus as they did during peak enrollment. However, between 2006 and 2020, the gross square footage dedicated to instruction and general purposes increased from 18.3 million square feet to 21.6 million square feet, or 17.5 percent. Though the funding formula once included awards for building renewal and replacement based on the square footage of higher education institutions, direct funding for this purpose was removed when the formula changed from an output-based to an outcome-based model. The change removed some of the incentive to expand campus footprints but did not cause institutions to reduce existing facility footprints.

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 would require demolition of other facilities to accommodate the new one.

While the HED space policy has led institutions to increase their master planning efforts, HED has granted waivers to the policy, campus square footage has not declined significantly. The Legislature has provided additional funding for facility demolition at the same time it has increased appropriations for facility maintenance. Moving forward, institutions will need to reevaluate the need for physical space and weigh the expenditure on facility maintenance and operations with other costs, such as student support.

Despite notable dips in statewide student enrollment at public schools, drops in enrollment are unevenly distributed across schools and classrooms. Like colleges and universities, public schools will also need to right-size facility spaces and reconfigure staffing patterns. This shift presents a unique opportunity to extend the reach of high quality teachers as class sizes naturally shrink.



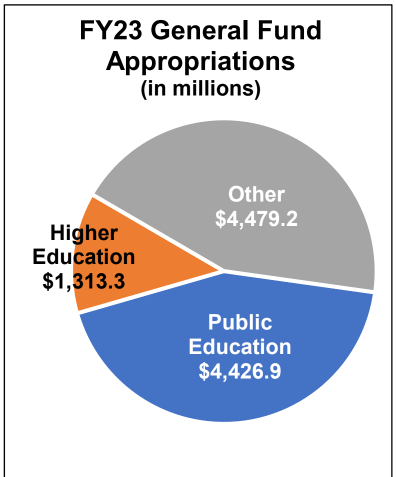
Source: USDE, SOAR, LFC Files

Innovative Staffing Strategies

Teachers are the largest in-school factor affecting student achievement. However, the teaching workforce in New Mexico has been plagued by poor preparation, high turnover rates, and a lack of systemwide improvement in instructional practice. The establishment of New Mexico's three-tiered teacher licensure system in 2003 created an opportunity to differentiate responsibilities and pay levels between new teachers and instructional leaders. However, the licensure tiers have largely been viewed by educators as a pay advancement mechanism rather than an expansion of responsibilities. Still, the levels represent the Legislature's intent to pay experienced teachers more for serving in leadership capacities or taking on more responsibilities.

Recent increases to the minimum salary levels for each licensure tier and overall teacher pay levels have grown faster than national averages and coincided with renewed interest in the teaching profession. Enrollment at educator preparation programs has rebounded, and the state has 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.

Although annual teacher vacancies remain around 3 percent statewide, growth in the supply of teacher graduates could eventually outpace demand if teacher turnover slows and student enrollment continues to decline. To improve recruitment, the state has focused primarily on increasing pay, but more attention needs to be paid to retention, particularly for the state's best teachers. The state can retain and expand the impact of its best teachers by using innovative staffing models and more flexible classroom designs. To implement this strategy, New Mexico must first identify indicators of teacher quality and create policy and budget conditions to foster more effective staffing configurations.



Source: LFC Files

The state is a prime candidate for innovative staffing strategies, which can range from teams of educators instructing a combined class of students to master teachers taking on larger class loads for additional pay (or new and struggling teachers having smaller class loads). The state can encourage these strategies by providing flexibility on class sizes and staffing patterns—an option allowed for charter schools but not school districts. The state can improve identification and utilization of master teachers by aligning teacher licensure and pay advancement to more explicit leadership roles. All options can be deployed as declining student enrollment creates capacity for new ways of delivering instruction and reinforcing strong instructional practices.

Funding Education

New Mexico finances a larger share of its education system than other states and continues to make educational investments despite ongoing enrollment declines. The Legislature allocates $5.7 billion, or 56 percent of 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 preliminary 2023 *Annual Survey of School System Finances*, New Mexico ranked in the middle of the nation for K-12 spending per pupil. Despite middle-of-the-pack funding levels, the state reports the worst current national achievement, graduation rates, and chronic absenteeism rates.

LFC Online: Understanding Government Finances

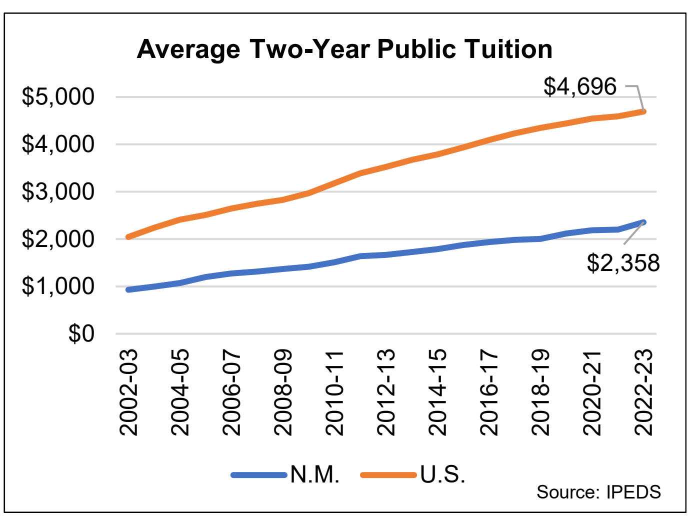
Finance Facts: Public School Funding Formula

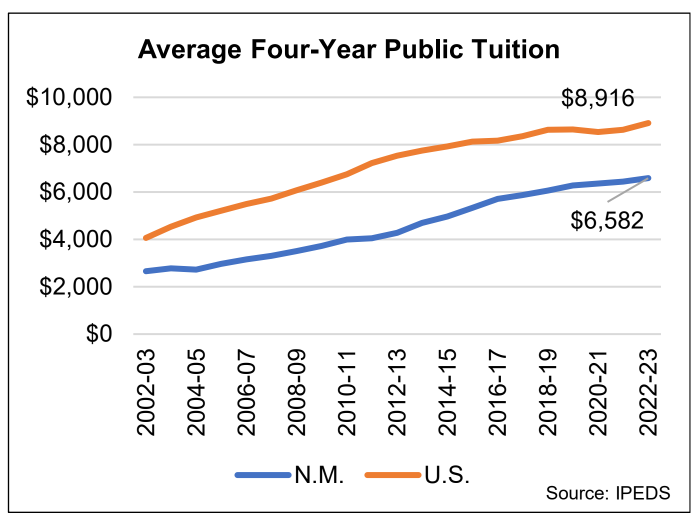
For higher education, New Mexico ranks second in the nation for state and local funding per full-time student, with the amount nearly doubling the national average spending. Two-year colleges are enabled to levy a local property tax, which brings substantial revenue to the institutions. Four-year institutions do not have property tax authority but receive higher tuition and larger state appropriations through the funding formula. New Mexico ranks sixth in the nation for state and local funding for two-year institutions and first in the nation for four-year institutions.

Generous state appropriations for higher education have allowed New Mexico to keep tuition relatively low; New Mexico two-year institutions have the fifth lowest tuition in the nation and four-year institutions have the fourth lowest tuition. When all revenues, including tuition and federal appropriations, are taken into account, the state ranks fifth in the nation, with two-year institutions ranking 12th, and four-year institutions ranking fifth.

Federal tuition and fee data show that New Mexico four-year institutions charge 35 percent less in tuition and fees than the national average, but this gap has narrowed over time. Twenty years ago, New Mexico four-year institutions charged 53 percent less than the national average. New Mexico two-year institutions currently charge around half the tuition as two-year colleges nationwide, a trend that has been the same for the past two decades.

New Mexico colleges and universities have historically charged low tuition to keep college affordable. At the same time, the state significantly increased scholarships through the lottery scholarship and the opportunity scholarship. These two scholarships essentially provide tuition-free college for New Mexico residents providing nation-leading access to a higher education. In 2024, the state created the nearly $1 billion endowment for higher education in the higher education





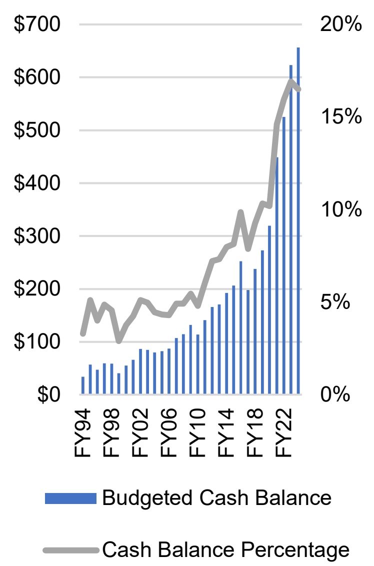
A Closer Look Public School Transportation Formula

A statutorily defined formula for distributing funding for public school transportation has worked well for 78 of the state's 108 school districts, but a 2024 LFC evaluation found three districts consistently spend significantly more than allotted and must use funds intended for instruction and administration to cover the difference. Another 35 districts spend less than allotted, reverting excess funds to the now-$9 million transportation emergency fund.

State funding for public school student transportation reached a record high of $133.8 million in FY25 despite continued enrollment and bus ridership declines. The formula assumes that districts spend these dollars on optimized student transportation systems, but the districts vary widely on measures of efficiency and the state has not adopted efficiency benchmarks to assess district transportation systems.

endowment fund to pay projected cost increases in the opportunity scholarship for the next five years. Despite the high per-student funding and low tuition, the state ranks among the worst in the nation for graduation.

Statewide Public School Unrestricted Cash Balances
(in millions)



Source: LESC, PED, and LFC Files

Semi-Recurring Appropriations

The multiyear grant awards from federal pandemic relief funds and the state's creation of the government results and opportunity (GRO) fund have produced semi-recurring appropriations through the one-time infusion of funding over the course of several years.

The expiration of $2 billion in nonrecurring federal education stabilization funds to New Mexico in FY25 created new opportunities and challenges for financing educational needs. While the immense amount of federal support helped schools make significant capital improvements and hire staff for targeted support during and after the pandemic, the nonrecurring nature of the aid drove spending mostly toward one-time items. To date, the state has spent over $1.8 billion of the federal pandemic aid and is on track to spend the entire amount, with the largest expenditures being sanitation and facility improvements, addressing student learning loss, general operating needs, and remote learning. Schools that used federal relief funds for recurring operating needs must now determine whether those pandemic expenditures should continue and be supplanted with state revenues or end.

The hiatus from assessment and accountability during the pandemic limited efforts to study the impact of federal relief funds on student outcomes. As such, schools most likely lacked evidence or justifications to sunset initiatives financed with pandemic dollars, which will create pressure to supplant operational needs with state dollars. As an example, the Public Education Department (PED) created an initiative called Educator Fellows using pandemic relief funds and requested general fund dollars to continue the program after federal aid was exhausted. The Legislature ultimately funded the Educator Fellows program with nonrecurring state dollars, despite its recurring programmatic costs, limited study of the program's efficacy, and its potential duplication of HED's grow-your-own teacher program and the teacher residency pilot.

The federal pandemic relief rollout and GRO fund present an opportunity to test and study innovative programs before making recurring investments in education. However, the state must evaluate program results to see whether the intended programming or other factors are affecting outcomes. To simplify evaluation of agency initiatives and identify key variables contributing to successful outcomes, the state must first establish research questions and evaluation parameters for new programs before implementation rather than after programs are funded. Narrowing the scope of evaluation to education programs alone, unlike the broad swath of initiatives under the GRO fund, could also improve efficiencies by concentrating research efforts, resources, and metrics around a few interrelated initiatives.

Cash Flow

The sudden influx of federal funds and PED initiatives, coupled with high turnover at the agency, increased department administrative processes and delayed reimbursements for schools. School officials note the delays contributed to some growth in balances to maintain cash flows as schools awaited reimbursement. School cash balances grew statewide, reaching $656.5 million (or 16 percent of operating revenue) at the end of FY24. Notably, growth in balances slowed this year, likely due to the immediate use of reserves to cover additional costs, such as insurance premium increases, rising construction prices, and new transportation distributions. However, reserve levels range wildly across districts and charters, ranging from cash balance highs of 74 percent to no balances at all.

With the end of federal pandemic aid, PED workloads will shift more to reimbursement of state initiatives, which could result in more delays if processes remain the same or new initiatives are created. To mitigate the accumulation of cash balances, the state can reduce reimbursement processing time, reduce the number of initiatives, and use multi-year budgets for new initiatives to account for initial planning and design time.

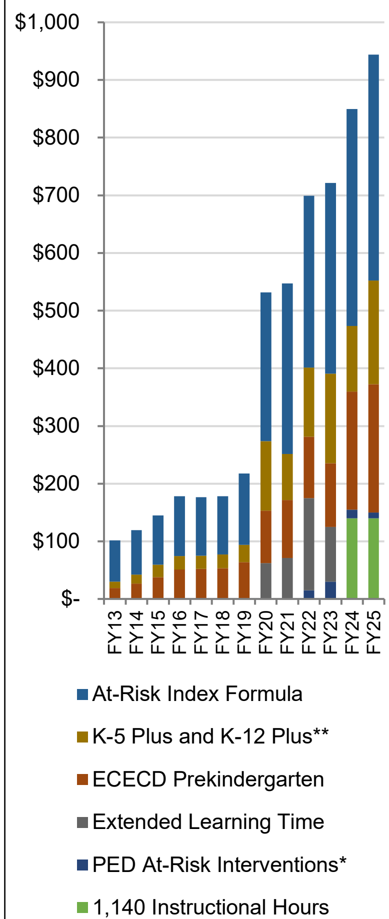
Governance

Despite shouldering the lion's share of educational expenses at the state level, operational decisions are largely determined at the local level in New Mexico. Although decentralization can be an efficient governance structure, because local entities are closer to the community and have better information about their needs, the education system in New Mexico has 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 control over schools. This tension between local and state control, however, remains unresolved, because the state's authority to enforce policies continues to be debated in court. Opinions in the *Martinez-Yazzie* education sufficiency lawsuit supported PED's authority to take control of schools that failed to meet state standards and requirements, while a recent lawsuit opposing the department's rule on establishing a 180-day school calendar for all schools now challenges the agency's role in regulating districts due to alleged conflicts with legislative intent.

School Leadership

Additionally, the state has a vested interest in ensuring 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 residency pilot is also in its early stages and is too small for a robust evaluation.

At-Risk Student Program Funding
(in millions)



*Includes family income index
**Includes tribal and rural extended learning

Source: LFC Files

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. If residencies prove to be more effective preparation programs for teachers, the state can use this model as a framework for developing high-quality school leaders.

Student Readiness

For more info:

Higher Education Performance
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Recent legal motions filed by plaintiffs in the *Martinez-Yazzie* case expressed a lack of satisfaction with the state's efforts to address the 1st Judicial Court's findings due to continued poor outcomes for at-risk student populations. Despite significant financial investments into the education system since the ruling, plaintiffs point to persistent student achievement gaps, deficiencies in programs and services, and a lack of a statewide remedial plan as evidence of continued noncompliance with the court order.

While student achievement gaps still exist between at-risk students and their peers, recent trends suggest these gaps are narrowing—both in positive and negative ways. English learners, students with disabilities, low-income students, and Native American students appear to be steadily improving in reading proficiency and graduation rates. However, these promising improvements coincide with decreased proficiency and graduation rates for higher-income, White, and Asian students.

Confounding these changes are the lingering effects of lost learning time due to school closures during the pandemic, which are now potentially showing up in the form of lower performance outcomes for third graders (who were kindergarteners in 2020). As students from the pandemic cohort begin to take standardized assessments, the state needs to carefully monitor their performance and separate out the effects of the pandemic from state interventions on student outcomes.

Chronic Absenteeism

Since the pandemic, the rate of students missing more than 10 percent of school, has more than doubled in New Mexico. With over a third of students chronically

A Closer Look Student Attendance and Performance

A 2024 LFC program evaluation on student attendance and performance found New Mexico students had the highest chronic absenteeism rate in the nation since the pandemic, with nearly 125 thousand students missing more than 10 percent of school in 2023. The evaluation found at-risk students were more likely to be chronically absent, and missing school was associated with a lower likelihood of academic proficiency and high school graduation.

In line with national research, New Mexico teacher absences were strongly correlated with student absences, and school attendance team members reported illness, parental decisions, and lack of student engagement as the primary reasons for chronic absences. The evaluation noted New Mexico's Attendance for Success Act, enacted prior to the pandemic, reflected best practices in monitoring absenteeism and shifting away from punitive approaches to attendance. However, schools lacked consistent attendance tracking procedures, likely leading to inaccurate attendance reporting and inconsistent strategies. LFC staff recommended leveraging additional instructional time opportunities to make up lost learning time and simplifying data collection processes to increase district capacity for intervention.

absent each year, the ability for schools to provide adequate instruction, even for students in attendance, is hampered. 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, which further reduces the number of students accessing postsecondary pathways. If schools cannot reach their students, no amount of quality instructional time or state investment into the education system will be able to directly affect their academic outcomes.

Nationally, chronic absenteeism rates rose for all students following the pandemic and recent trends suggest national absenteeism rates are falling now. New Mexico is no exception, so understanding whether absenteeism rates are improving because of state or local actions or broader environmental conditions will be a key factor for determining appropriate investments and state actions.

While the state has allocated additional funding to address attendance issues, PED has not reported on the effectiveness of the department's attendance initiative nor articulated appropriate state responsibilities and how its actions will improve attendance rates. Despite increased spending by local districts and charter schools to comply with the Attendance for Success Act, reporting on chronic absenteeism remains inconsistent and, consequently, many districts are likely to make decisions on how to improve attendance based on limited or inaccurate information. PED can improve the efficiency of local efforts and increase accuracy of information by providing broader support at the state level (such as data collection or site-level analysis and parental notification), allowing schools to prioritize resources toward more targeted and direct services for excessively absent students.

Department Oversight

Multiple LFC program evaluations on PED's oversight functions found the department unable to exercise oversight of local spending or instructional practices effectively. The agency has separate bureaus that independently oversee areas like bilingual multicultural education programs, special education, charter schools, school turnaround programs, teacher quality, math programs, and reading programs. The department's auditing function, which should be comprehensive and incorporate multiple agency areas, only audits a single funding formula component—the teacher cost index.

Instead of restructuring the agency to focus on holistic oversight functions, PED has elected to add new bureaus and divisions to drive policy, which further duplicates other agency processes and encourages each bureau to request narrowly focused appropriations. As an example, the department's recent creation of an Office of Special Education includes a request to add 15 FTE for the office, including policy and data analysts, fiscal support, and program specialists—essentially adding a standalone office that duplicates functions of similar staff across other bureaus. If PED agency communication was seamless, the focus on policy areas (like special education) could be useful. However, PED's repetitious requests for local district data from multiple bureaus and delays in awarding funds over the years suggest the agency does not communicate internally in an efficient manner.

Still, PED has seen better implementation of initiatives when policy objectives have a clear logic model and programs have several years to develop. The

A Closer Look: Cost-Effective Options for Increasing the High School Graduation Rate

A 2024 LFC progress report on high school graduation noted New Mexico's high school graduation rate grew by 7 percent in the last decade. Despite this progress, New Mexico was among the lowest-ranking states in the nation in high school graduation rates, with students tending to drop out of school by ninth or 10th grade. Low academic achievement and high chronic absenteeism rates were associated with lower graduation rates.

Graduating about 2,065 more students would raise New Mexico's average to the national average and produce over $626.2 million in net benefits to New Mexico over the lifetime of these students. Broken down by school site, most high schools would need to graduate about 30 more students to achieve this goal. The evaluation could not determine why graduation rates have improved over time, noting the department's lack of data collection. Recent expansions in post-secondary programs, including career technical education and nondegree credentials, may affect student college and career outcomes.

department's rollout of training in the science of reading has accelerated in recent years, supported by a national movement to ensure all teachers understand how to teach reading in an evidence-based way. While exposure to evidence-based concepts is valuable, the state must evaluate whether new trainings are translating into changes in classrooms. New Mexico has a significant opportunity to create shared accountability for implementation of an evidence-based practice. Understanding implementation on the ground will help the state make smarter investments on whether to expand training or other supports, like coaching or providing aligned instructional materials.

LFC Online: Understanding Government Finances

Finance Facts: Lottery and Lottery Scholarship

College Readiness and Student Success

SAT college entrance exam scores show New Mexico students are far less prepared to go on to college than their peers nationally and regionally. Only 14 percent of New Mexico SAT takers meet both the language and math proficiency benchmarks, compared with 39 percent nationally. New Mexico ranks last by a wide margin among the 14 states that have SAT completion rates of over 70 percent of high school graduates.

Underpreparedness results in New Mexico students facing additional difficulties in completing higher education degrees; only 47 percent graduate within six years, significantly less than the national average of 59 percent. Low graduation rates are a product of low student retention; the state has not ranked higher than 46th in the nation over the past five years and ranking 49th or 50th over the past three years.

SAT Scores of High School Graduates in States with Over 70% Test Completion

	Mean Score		
State	**Total**	**Language**	**Math**
NH	1,023	520	503
CO	998	510	488
ID	998	508	490
MD	998	512	487
CT	990	502	488
TX	971	495	477
IN	969	489	480
IL	966	491	476
MI	965	492	473
RI	954	488	465
DE	948	484	464
FL	945	493	455
WV	919	477	442
NM	**885**	**453**	**431**

Source: SAT

2022 Six-year Graduation Rate by Institution
(based on 2016 first-time full-time entry cohort)

Institution	Entry Cohort	2022 Grads	Grad. Rate		U.S. Avg. Grad Rate	Additional Completers
ENMU	622	257	41.3%		63.5%	138
NMHU	310	79	25.5%		63.5%	118
NM Tech	298	164	55.0%		63.5%	25
NMSU	1,825	929	50.9%		63.5%	230
Northern	134	53	39.6%		63.5%	32
UNM	3,362	1,738	51.7%		63.5%	397
WNMU	264	82	31.1%		63.5%	86
Total	**6,815**	**3,302**	**48.5%**		**63.5%**	**1,026**

Source: IPEDS

Analysis of cohort and graduate data shows New Mexico colleges would need to graduate an additional 1,000 students to reach the national average.

New Mexico has long recognized lagging graduation rates, yet policy has primarily focused on college affordability as the major obstacle to college completion.

Student Success

National research found finances were a factor in the top three reasons adults without a college degree or credential gave for not pursuing additional education were financial for adults who did not have a college degree or credential. Fifty-five percent of adults cited the cost of education as a major barrier, while 38 percent reported that work conflicts or the need to work kept them from pursuing additional education. However, for enrolled students, the barriers to completion were generally 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. Of those considering dropping out, 55 percent cited emotional stress, while 47 percent cited personal mental health. Program cost is cited 29 percent of the time. Critically, the study also found that 52 percent of Hispanic students, the most of any racial group surveyed, report it being difficult or very difficult to remain enrolled in a higher education program.

The Legislature has recognized the need for additional student support services and has provided recurring appropriations in each of the past two legislative sessions to address this. 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.

4-Year Graduation Rates

Institution	2013	2022
ENMU	10.8%	20.3%
NMHU	5.5%	20.4%
NM Tech	22.4%	30.0%
NMSU	14.8%	26.4%
NNMC	50.0%	5.7%
UNM	12.3%	33.7%
WNMU	2.5%	14.9%
NM Average	**12.9%**	**28.8%**
U.S. Average	**31%**	**42%**

Source: IPEDS

A Closer Look Postsecondary Certificates

A 2024 LFC program evaluation that examined postsecondary certificate programs offered by institutions of higher education concluded, while postsecondary certificates can offer an alternative to traditional college degrees, many confer little workforce or wage value. Postsecondary certificates, unlike conventional undergraduate degrees, operate within an unregulated and fragmented marketplace and research shows mixed student outcomes across states, driven by differing policies and implementation strategies. Annual awards of for-credit certificates in New Mexico more than doubled between 2021 and 2022, from around 5,000 to over 11 thousand. However, outcomes tracking for awarded certificates has lagged.

A few of the state's largest community colleges are granting certificates in areas misaligned with the state's high-demand, high-wage occupations; liberal arts certificates have driven the growth of nondegree, for-credit credentials in New Mexico, accounting for 90 percent of the growth in for-credit certificates between 2012 and 2022. The report found these liberal arts certificates may endow students with some benefits but lead to smaller wage increases compared to occupation-aligned for-credit certificates in fields such as healthcare and precision manufacturing. These well-aligned certificates can serve as viable alternatives to conventional college degrees for some students or as flexible building blocks that students can stack toward a higher degree.

The report recommendations included pausing appropriations to the New Mexico longitudinal data system, which promised to allow the state to link data and track outcomes, until a usable platform is demonstrated. The report also recommended higher education institutions should award liberal arts certificates only as a components of transfer programs and, wherever possible, award short for-credit certificates only as a part of "stacked" certificate or degree programs.

Career Readiness and Workforce Needs

New Mexico faces severe worker shortages in a number of occupations, including physical and behavioral healthcare, education, law enforcement, and technical trades. These fields all require some postsecondary education or certification. The Legislature has made significant investments in the healthcare field over the past several years, including $80 million in endowments for social work programs, $40 million for nursing endowments, and $50 million for teaching endowments. While these investments target some of the highest-need areas in the state, many other workforce shortage areas should be addressed.

Increasing educational attainment that is transferrable to a career is necessary to increase workforce participation and boost earnings. New Mexico lags the nation in educational attainment but significantly exceeds the national average in the proportion of residents with some college education but no degree. Crucially, young New Mexicans are significantly less likely than their peers nationally to have a bachelor's degree. This differential is due to a large number of New Mexicans starting but not completing college.

	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

The large proportion of students who begin but do not complete a college program reflects a desire to pursue higher education. The drive of these students provides an opportunity for state higher education policy to include additional shorter duration training programs. To this end, the Legislature appropriated $20 million per year for the next three years to pay for student tuition and fees in noncredit training programs. Additionally, colleges nationwide have begun offering short-term for-credit credential programs that provide multiple certifications on the way to a traditional four-year degree. These programs are workforce aligned so students can work while going to school and will have increased earnings even if they do not complete the full four-year program.

While the increase in credential programs is encouraging, LFC analysis found that wage gains from these programs varies significantly by credential type, with general studies or liberal arts certificates having the lowest wage gains and workforce-aligned programs like law enforcement certification and commercial drivers licenses tied with larger gains. Colleges and universities will be challenged to direct students to programs that can lead to gainful employment in careers offering a living wage.

Economic and Workforce Development

New Mexico has increasingly funded economic and workforce development programs over the past few years, attempting to create a stronger work force and more jobs. However, the state's lack of economic diversification and low labor force participation is holding back the state's economy. Agencies supporting workforce and economic development initiatives must continue to prioritize the key industries with the greatest competitive advantage in New Mexico, high-wage job creation, and high-quality training programs.

For more info:

[Economic Development Department Performance Page 111]

Efforts to Boost Economic Development

The state continues to face challenges, and as the hub for economic development in the state, the Economic Development Department is responsible for targeting 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.

Over the past fiscal year, New Mexico's total nonagricultural employment increased by 19.2 thousand jobs, or 2.2 percent. The private sector was up 15.7 thousand jobs, or 2.3 percent, while the public sector was up 3,500 jobs, or 2 percent. The sectors with the largest year-over-year employment growth include manufacturing, leisure and hospitality, and state government. In total, New Mexico employment regained all jobs lost during the pandemic by March 2023.

State Tools to Boost Growth

The Legislature has made an effort to make New Mexico a more attractive location for business—increasing funding for the Local Economic Development Act program (LEDA), expanding reimbursement criteria for the Job Training Incentive Program (JTIP), and making available multiple business-friendly tax credits. Funding for LEDA alone, which can be used to help existing businesses expand and is traditionally used as a "closing fund" to recruit new businesses, has increased by $174 million since 2019.

Ongoing general fund support for the Economic Development Department (EDD), the agency responsible for fostering economic opportunities in the state, increased by $12.5 million, or 90.6 percent, between FY21 and FY25. The Legislature has also made significant one-time appropriations for various economic development initiatives. Since 2022, the Legislature appropriated approximately $290.2 million for economic development-related items, such as trails infrastructure, the film academy, LEDA, the venture capital investment fund, and opportunity enterprise fund. EDD received funding to develop a 20-year statewide strategic plan that outlined priority industries and includes an action plan with short-, medium-, and long-term steps to create a robust, diverse economy that provides opportunities for residents and businesses.

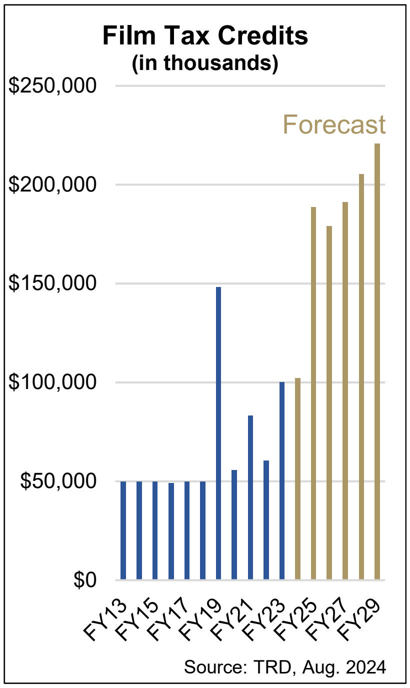
FY24 State Economic Development Incentives
(in thousands)

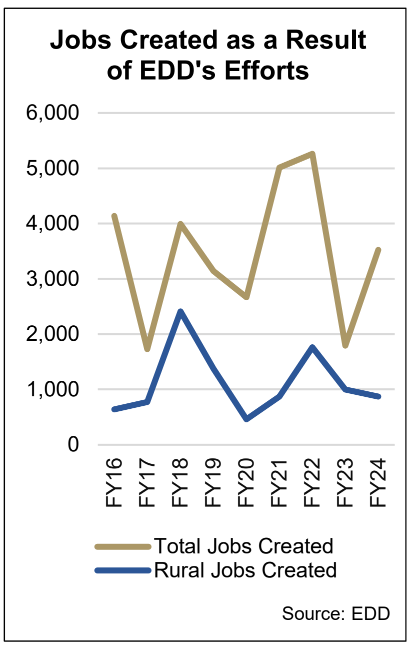
Program/ Incentive	Spending	Share
Sales to Manufacturers GRT Deduction	$200,788	32%
Film tax credit	$102,166	16%
Manufacturer's CIT apportionment	$104,401	16%
Sales of Services to Manufacturing	$84,098	13%
LEDA	$30,500	5%
LEDA GRT distributions	$23,084	4%
JTIP	$27,825	4%
TIDDs (4 statewide)	TBD	TBD
Medical 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%
	$636,997	

Source: TRD, LFC Files

LFC Online: Understanding Government Finances

Finance Facts: Business Incentive Programs





Total Cost per Job
(in thousands)

	JTIP	LEDA
FY19	$8.14	$11.73
FY20	$8.76	$8.14
FY21	$7.82	$15.46
FY22	$12.62	$8.69
FY23	$13.93	$13.19
FY24	$12.40	$12.95

Source: EDD and LFC Files

Despite recent investments, New Mexico's private employment has grown slower than neighboring states. The state's gross domestic product, or the value of all finished goods and services, also trailed the southwest regional average growth by 7 percent over the past decade. While there are many reasons for the state's lagging economic growth, one factor may be the state's overreliance on a few industries. While EDD made headwinds in prioritizing development in its target industries, only a few industries receive the majority of the state's largest economic development incentives. For example, in FY23, the film industry, which makes up about 0.4 percent of total private employment, received 40.3 percent of total economic development incentives. Film tax credits are estimated to be $102.2 million in FY24 and are expected to grow 87 percent by FY27, according to the most recent consensus revenue estimates.

In contrast, incentives designed to support science, technology, and research and development businesses make up a smaller share of incentive spending. The state's largest incentives designed to benefit those industries—the technology jobs and research and development tax credit and the laboratory partnership credit—made up just 3.8 percent of incentive spending in FY23.

Many economic development tools and tax incentives are "stackable," and companies often receive assistance from a variety of programs to create jobs. However, little reporting or research exists as to which tools and incentives are the most effective at creating jobs and increasing the state's economic base. Because resources are limited, funding needs to be focused on industries most likely to have the greatest impact. Funding for tools should be prioritized to those proven effective through return on investment, cost-per-job data, and economic impact studies. EDD should also prioritize the state's key industries based on competitiveness, wages, and regional diversity.

Job Growth. In FY24, EDD reported creating a total of 3,523 jobs, on par with the past five-year average of 3,576 jobs. The average annual wage of jobs created in FY24 was $56.4 thousand, on par with the state's national average, and $6,000 higher than the average three-year wage in corresponding counties, highlighting the agency's efforts to prioritize high-wage jobs. EDD's job creation efforts account for 19 percent of the state's FY24 total job growth.

In addition to prioritizing job creation, the state should also evaluate the tools available, guided by cost-per-job data. Economic research demonstrates that business tax cuts have the highest cost-per-job because they are not targeted to specific industry, as opposed to customized job training and business support services that are more targeted and, therefore, more cost-effective. For example, when compared to the LEDA and JTIP, each job created through the film tax credit average $22.8 thousand, 107 percent more costly than the average LEDA and JTIP cost per job.

Infrastructure. Infrastructure is essential for economic development because it attracts investments, improves quality of life, and creates a more appealing environment for business. The state has made a number of tools available for infrastructure, such as low-cost financing through the opportunity enterprise fund for commercial development, LEDA grants, MainStreet funding, beautification and litter initiatives, and trail infrastructure.

One of the state's largest incentives, LEDA, passes state funding through local governments to businesses for land, building, and lease costs. The Legislature appropriated $10 million for LEDA in 2024, bringing the three-year total to $73 million. At the start of FY25, EDD had $60.5 million remaining unencumbered. In recent years, EDD has made progress in reporting anticipated versus actual jobs created, incentives awarded versus incentives accessed, and return on investments. In FY24, EDD committed $30.5 million in LEDA funding to 14 projects. If successful, those projects intend to invest an additional $2.6 billion over the extent of their agreement. LEDA projects could result in 2,356 jobs with an average wage of $47,799. The average cost per job in FY24 was $12.9 thousand, a 6 percent increase compared to FY23's cost per job of $12.1 thousand. To align LEDA with the state's strategic map, EDD should continue to prioritize target industries as well as rural communities outside of the Interstate 25 corridor.

Identifying locations suitable for development can attract businesses; however, New Mexico has few identified sites that are development ready, which means sites have longer development timelines, are more expensive, and are less predictable than in competing states. The Legislature appropriated $500 thousand of one-time funding to EDD for LEDA site-readiness studies. Other states are adopting more proactive strategies in asset and location analysis to gain a clearer understanding of which regions are best suited for specific industries. This form of analysis enables policymakers to make informed decisions regarding targeted infrastructure investments, thereby enhancing competitiveness relative to neighboring areas.

Employment in EDD's Target Industries

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

Source: U.S. Bureau of Labor Statistics

Tourism

The leisure and hospitality industry added 936 jobs from June 2023 to June 2024, bringing job counts up to prepandemic levels and representing 49 percent of the state's total job gains during FY24. A department contractor, Tourism Economics, conducted an economic impact study and estimated a total of 41.8 million visitors spent a combined $8.6 billion during trips to New Mexico in 2023. This generated $11.6 billion in total business sales when indirect and induced impacts are included. The spending supported nearly 93.2 thousand jobs with total income of $3.2 billion and $810.7 million in state and local taxes.

For more info:

Tourism Department Performance Page 114

Aligning New Mexico's Workforce

New Mexico needs an aligned and functioning cradle-to-career system to develop and sustain a workforce that meets the needs of its economic future. This need

New Mexico Private Equity Investment Program

The New Mexico Private Equity Investment Program (NMPEIP) directs a portion of the severance tax permanent fund (STPF) to New Mexico companies to increase the amount of capital available to businesses. The market value of the NMPEIP was $454.3 million in July, making it the largest state program designed to create jobs and support businesses.

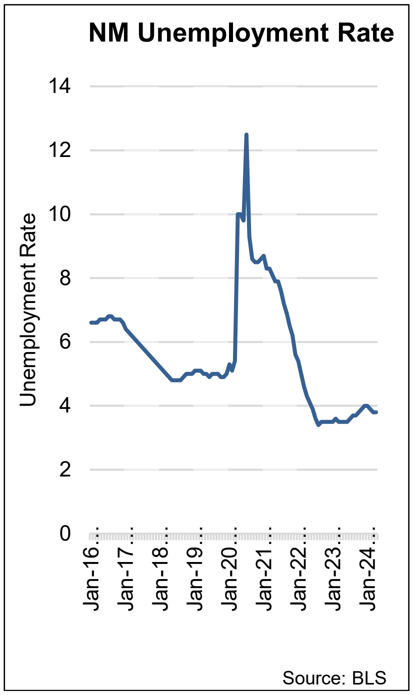
However, LFC's 2024 **Money Matters: SIC Investment Performance S**

potlight found the in-state private equity program had five year losses of 7.45 percent for the period ending FY24. In contrast, private equity investments in national businesses (excluding New Mexico) had gains of 14.48 percent over that period. The unfavorable returns of the New Mexico private equity program drag down overall severance tax permanent fund performance. By comparison, the land grant permanent fund, which have zero asset allocation in the in-state private equity plan, had one-year returns 3.2 percentage points higher than the STPF, on average.

The cumulative impact of the STPF-LGPF performance gap is large. By FY50, the balance of the STPF is expected to be $11 billion lower than it would have been had it matched LGPF performance. By FY50, this will translate to about $370 million a year in foregone general fund revenue because STPF distributes 4.7 percent of its five-year average fund value to the general fund. Additionally, the program's average cost per job is $83 thousand—nearly seven times higher than the average cost per job of LEDA and eight times higher than the average cost per job of JTIP.

For more info:

[Workforce Solutions Department Performance Page 117]



LFC Online: Understanding Government Finances

Finance Facts: Tax Increment Financing

requires coordination among higher education, workforce development, and the Economic Development Department.

EDD's economic development plan notes the state experiences challenges in attracting and retaining talent in urban, rural, and tribal communities, and the state's population growth and labor force growth lag behind that of other states. The plan futher notes the presence of a skilled workforce is critical to the development of regional economies. While many skills are obtained through on-the-job experience, schools, colleges, and universities play a critical role connecting workers to industry. New Mexico's four-year high school graduation rate is only 75 percent, college completion rates are low, and New Mexico is a net exporter of college graduates. In addition, a misalignment between the state's workforce skills and industry is a challenge for New Mexico's economic future. EDD's target industries generally require advanced skill levels in science, technology, engineering, and math. Education and job training in New Mexico need to ensure the state's workforce has the skills required to meet industry needs. Without an aligned workforce, New Mexico risks exporting residents to states with better connected institutions and losing employers to states with better trained workers.

Low Workforce Participation

The state's labor force holds the state back from economic development and expansion. While unemployment rates have recovered to prepandemic levels, the share of the state's working age population participating in the labor force, either working or looking for work, is persistently low. Disengagement is simultaneously a symptom and a cause of larger social and economic issues. In New Mexico currently, the demand for workers is much greater than the supply, and adding labor force participants is essential.

The state's relatively low unemployment rate, 4 percent in July 2024, seems to indicate a tight labor market but does not provide a full picture because many New Mexicans are persistently disengaged from the labor market. Unemployment captures people who want to be in the labor force but are unemployed and looking for work. Meanwhile, many New Mexicans are not participating in the labor force, meaning they are not employed and are not looking for work. The state's labor force participation rate (LFPR) has improved from the pandemic low, but the state's LFPR remained 57.4 percent in July 2024, the same rate as July 2023. The state would need an estimated 40 thousand additional individuals between ages 20 and 54 working or looking for work to meet the national average of 62.7 percent.

The National Conference of State Legislatures recommends 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 are recruiting out-of-state workers by marketing their states as desirable places to live.

Increasing Participation in the Workforce. Efforts to increase workforce participation may include reemployment services for people who are currently unemployed and targeted programs for people who are disengaged and not participating in the labor force. While the LFPR for prime working-age men in

New Mexico stagnated between 2010 and 2022, the participation of women with children under 6 grew by 12 percentage points.

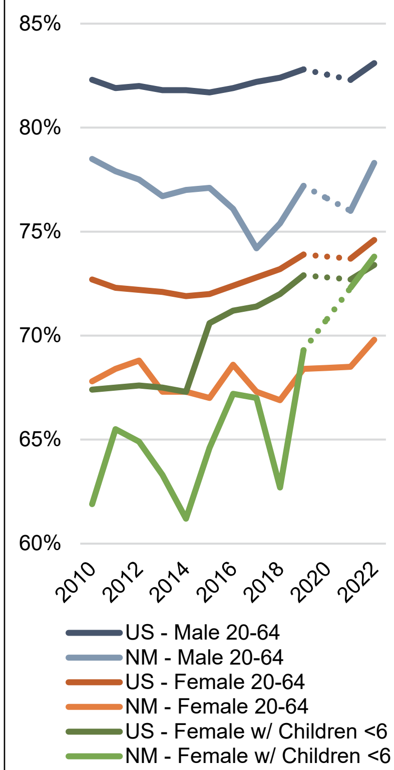
The Workforce Solutions Department (WSD), the state agency most directly responsible for bringing disengaged adults into the workforce, has the opportunity to grow the state's labor force, but existing programs chip away at the edges without dramatically increasing the number of working-age adults participating 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 $35.5 million, oversees the state's network of connections 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 targeting youth who are unemployed or disengaged from the workforce and delivering reemployment programs for adults who are unemployed or not participating in the labor force.

Adult Reemployment. WSD received $5 million in nonrecurring appropriations in FY23 to support evidence-based reemployment case management, though the governor vetoed the "evidence-based" language. Investment in evidence-based case management programs could further drive down unemployment insurance numbers, and WSD should report the number of clients served and the number of jobs obtained. A 2024 LFC program evaluation also concluded WSD should invest in evidence-based approaches, including case management, to improve outcomes for the adults receiving services delivered by WSD. The agency is attempting to reach more of New Mexico's disengaged population with new partnerships and programming, including strengthening connections with other social service programs to improve client outcomes; WSD will need to find ways to reach disengaged adults who are not actively seeking their services to make a meaningful impact on the state's LFPR.

Youth Reemployment and Pre-Apprenticeships. Roughly 11 thousand young adults between the ages of 16 and 24 are unemployed, and the state lacks a targeted

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.

A Closer Look

Improving New Mexico's Workforce Participation

A 2024 LFC program evaluation analyzed New Mexico's labor force participation and highlighted the misalignment of current workforce development strategies and the nature of the state's disengaged population. While a small percentage of New Mexico's population cycles quickly in and out of jobs and the labor market, national research suggests a much larger proportion of working-age adults not participating in the labor force are systemically disengaged. However, most public programs and services, such as workforce connections centers, case management for recipients of unemployment insurance, and other basic career services, are targeted at the smaller population of individuals at least tangentially engaged in the labor market. The report 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. It also recommended expanding earned income tax credits, which have made it easier for working mothers to rejoin the labor force, to reach other underserved populations, including disengaged men and noncustodial parents.

WSD relies on a network of workforce connections centers to reach those seeking services in rural and urban areas of the state, and utilization rapidly declined during the pandemic and has not fully recovered, though utilization did increase in the final quarter of FY24. Overall, the report recommended WSD dramatically reevaluate the way in the which the agency provides employment services for disengaged workers in New Mexico.

plan for engaging this group. WIOA funding provides a variety of youth services based on the needs of individuals. However, WIOA funding is limited and can only be used to provide services to low-income youth between the ages of 14 to 24 who are deficient in basic literacy, a school dropout, homeless, a runaway, a foster child, pregnant or a parent, or an ex-offender.

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

New Mexico tends to perform worse than its peer states when looking at employment for youth who participated in WIOA and has carried forward unused WIOA funds in recent years. In FFY21, the state carried forward $19.3 million in the WIOA youth program, and between FFY15 and FFY21, the state used an average of 62 percent of available WIOA funds.

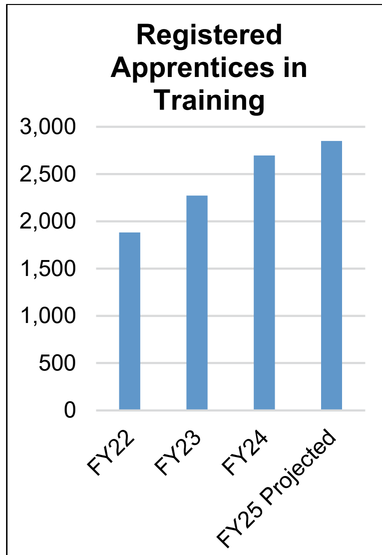
Youth employment programs targeted to disconnected youth are research-based strategies that can lead to decreased crime and violence as well as increased earnings. However, the department has not focused on the implementation of these programs, instead focusing on a career exploration program known as Be Pro Be Proud and a pre-apprenticeship program that operates similarly to a paid internship program for young adults to gain work experience.

The state is primarily funding youth career exploration through $45 million in appropriations for career and technical education and internships delivered through public schools. While WSD reports targeting pre-apprenticeship recruitment to high school or early college young adults to retain talented workers in New Mexico, the strategy may duplicate existing efforts within the K-12 system, while leaving a large population of out-of-school, unemployed young adults unserved. In FY24, roughly half of all pre-apprentices were high school students, and partner organizations included businesses in the hospitality industry, the U.S. Forest Service, and a plumbers and pipefitters union.

For FY25, the General Appropriation Act appropriated $600 thousand to pilot and evaluate pre-apprenticeship programs through the government results and opportunity (GRO) fund. In FY25, WSD used remaining federal American Rescue Plan Act (ARPA) appropriations to fund the program at a total level of $1.2 million, projecting 267 participants. For FY25, target industries include the building trades, education, IT, healthcare, behavioral health, and hospitality. The agency is currently planning to track employment and self-reported career plan outcomes of participants; in FY24, 9 percent of pre-apprenticeship participants went on to an apprenticeship program and 4 percent were employed within the year following participation. The department has not identified a comparison or control group by which to compare program outcomes. 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. However, these studies focused on pre-apprenticeship programs that are a direct pipeline into apprenticeship programs and measured outcomes several years following pre-apprenticeship participation.

Apprenticeships. Apprenticeship programs combine on-the-job training with related classroom instruction, with the goal of preparing individuals for skilled occupations. 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. More than 50 apprenticeship programs are registered in New Mexico. Of these programs, 28 percent are operated by unions. Apprenticeships are funded through three sources:

- The public works and apprenticeship training fund (PWAT) is focused on the construction and building industries and provides a per-apprentice distribution to programs.
- The Apprenticeship Assistance Act (AAA), which historically used revenue transferred from the Workers Compensation Administration to fund, provides employers with reimbursement for technical instruction.
- Federal Apprenticeship grants also providing funding for apprenticeship programs in New Mexico.



Source: LFC files

Legislation passed during the 2024 legislative session created the workforce development and apprenticeship trust fund. The Legislature appropriated $30 million to the fund, which will distribute $5 million, evenly split between the PWAT and AAA programs in FY25 and FY26, and $3 million, evenly split, in subsequent years. According to the Workforce Solutions Department, this additional funding is not projected to translate into additional apprenticeship participants in FY25. Instead, the $5 million distribution will primarily be used to increase the per-apprentice payments to apprenticeship programs, because these payments have decreased in recent years as the number of enrolled apprentices grew, which could mean that per-apprenticeship payments may decrease in the future when distributions from the workforce development and apprenticeship trust fund distributions decrease.

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. JTIP funding has grown substantially in recent years. In addition to a recurring budget of $6.6 million, EDD received a $3 million nonrecurring special appropriation for JTIP for use in FY24. As of August 2024, JTIP had a cash balance of $36.2 million. In FY24, the JTIP program approved $35.9 million to businesses to train 2,359 employees, on par with the past five-year average of 2,300. In total, the average cost per job in FY24 was $15.2 thousand, a 9.3 percent increase compared to FY23. EDD has made modest strides in prioritizing high-wage and rural jobs through its JTIP awards. In FY24, 34 percent of total trainees were from rural areas, and 69 percent were in high-wage positions. Economic research shows that customized and high-quality job training is one of the state's most cost-effective tools for support job creation.

Paid Family Medical Leave

The Legislature has considered statutory proposals to create a paid family medical leave (PFML) program in New Mexico during the recent sessions, but no proposal has passed both chambers. Generally, these proposals involve employer and employee contributions to a fund based on wages, from which the state would then pay eligible family medical leave claims.

Research published in the American Economic Review suggests short-duration paid leave in the months directly preceding and following a birth increases the labor force attachment of women who give birth. Analysis of paid leave laws in California and New Jersey concluded the policies generally did not change workforce participation among women who were planning to leave the labor force for the longer term after a birth but did have employment benefits for women who planned to remain in the labor force.

A variety of factors contribute to the solvency of a potential PFML program, including the employer and employee contributions amounts, the length of benefits and conditions that qualify, and the uptake rate of benefits. Given the demographics of New Mexico's population, if the state were to implement paid family medical leave, the program may experience higher uptake rates than other states with PFML programs and require significant organizational capacity to administer.

Health and Communities

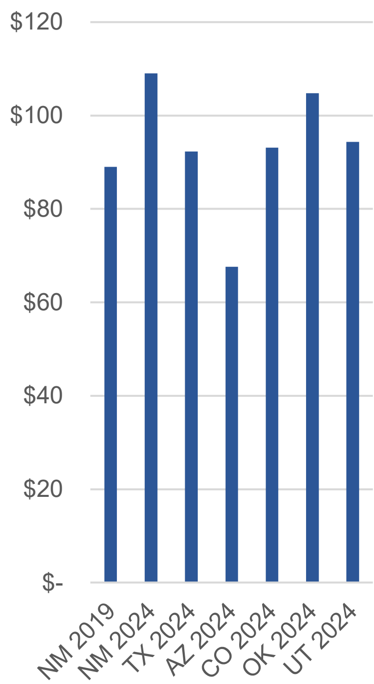
For more info:

Health Care Authority Performance Page 121

The state's weakness in addressing substance use, suicide rates, low birth weight babies, and many other social issues has been a top legislative priority over the last several years. About $2.1 billion in higher payment rates for those who care for Medicaid patients are either in effect or are planned to take effect between FY24 and FY26. Likewise, other programs that care for people with developmental disabilities and address behavioral health and poverty were either expanded or caseloads were significantly grown during the same period.

With these investments, the state and the Legislature expect healthcare access and quality to improve, leading to better outcomes, such as reduced incidence of substance use disorder, fewer New Mexicans living in poverty, and an improved quality of life.

Average Reimbursement Rate for Top 20 Medicaid Behavioral Health Codes



Source: LFC Files

Access, Coverage, and Oversight

The Health Care Authority, the newest agency in state government and the financially largest by far, began its first fiscal year in July 2024, combining Medicaid and the other programs that used to comprise the Human Services Department with the Developmental Disabilities Support Program and the Division of Health Improvement from the Department of Health and the State Health Benefits Program from the General Services Department. Adding to this, enacted legislation moved the health care affordability fund from the Office of Superintendent of Insurance to the authority. The authority is requesting to make the fund its own program in FY26. Already three times as large as the next largest agency when all revenue is considered HCA is expected to see budget growth in the next few years with projected medical inflation and the enactment of the Health Care Delivery and Access Act, projected to inject an additional $1.1 billion into the state's hospitals through Medicaid.

Much of the reason for the creation of the authority was to improve the accessibility, coverage, and oversight of healthcare in the state. To improve access over the last several years, the Legislature prioritized physical and behavioral healthcare by creating the authority, injecting nonrecurring funding into capacity building efforts, and significantly increasing Medicaid rates paid to Medicaid providers for maternal and child health, physical health, behavioral health, care for those with developmental disabilities, and several other care categories to either improve rate competitiveness or to ensure provider viability, with the ultimate goal of alleviating a care provider shortage through better recruitment and retention.

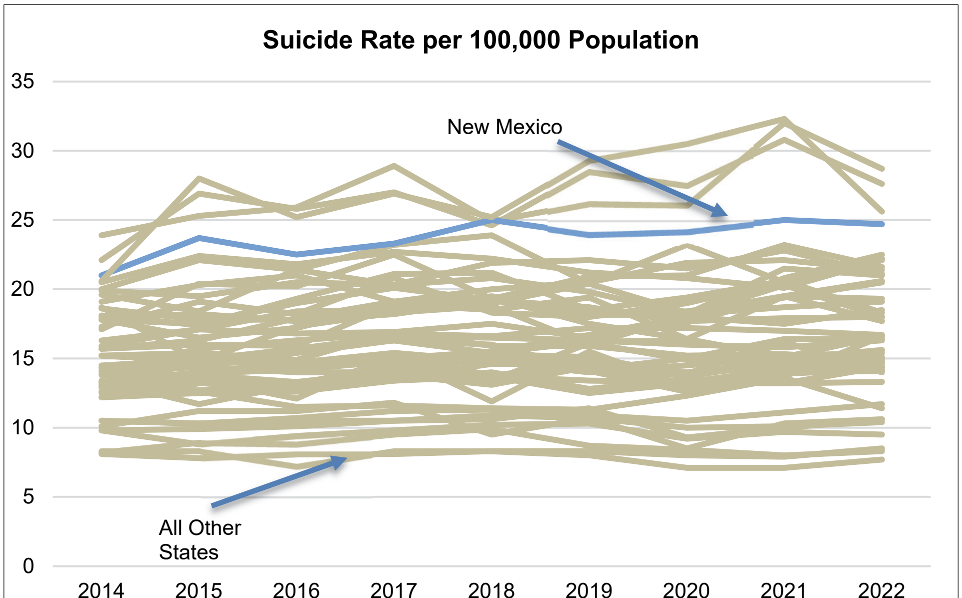
Best practices to alleviate access barriers include expanding telehealth and telemedicine, establishing mobile clinics, placing a greater emphasis on workforce development, investing in rural health clinics, improving transportation, focusing more on prevention, and improving health insurance coverage. The Legislature has increased funding in all of these areas over the last few years and mostly within the Health Care Authority.

To improve coverage, the consolidation under the authority brings under one roof the nearly 60 thousand state employees and local government employees covered by state health benefits, nearly half of the state's population covered by Medicaid, and other low-income individuals with incomes too high to qualify for Medicaid but who are covered through the state's health insurance exchange with the help of healthcare affordability fund subsidies. The authority has signaled its intention to improve its market leverage, possibly by purchasing healthcare for some of these populations under a consolidated effort with the hope of driving down prices. The authority was also tasked by the Legislature with conducting a study to determine the feasibility of expanding Medicaid to cover these and other populations by increasing the income threshold for Medicaid eligibility.

Additionally, to improve healthcare oversight and regulation, the authority now oversees nearly all healthcare facilities—hospitals, long-term care facilities, behavioral health facilities, and community-based programs for people with developmental disabilities—through licensing and other oversight activities. Likewise, the authority is no longer just the payor for services for people with developmental disabilities; it now is also responsible for ensuring the smooth operation of these services and making sure people with developmental disabilities live fulfilling lives and participate in their communities.

Tracking Outcomes and Evaluating Options

With nearly half the state enrolled, Medicaid is the greatest lever available to the state to improve the physical and behavioral health outcomes of New Mexicans to reduce the prevalence of mental illness and substance use disorders and improving physical health measures related to women and children, such as maternal mortality and birth weight. Access to evidence-based services and physical health providers is key to improving these and other outcomes. Following recommendations from a fall 2022 LFC evaluation report on access, the Legislature invested significant amounts in the last two years to increase rates paid to providers and to fund startup costs for new services.



Source: Centers for Disease Control and Prevention

Medicaid Forward

As directed in Chapter 198 (2023), the Health Care Authority submitted a study on Medicaid Forward, a plan to leverage the existing Medicaid program to provide a state-administered healthcare coverage option by adjusting income eligibility caps based on the federal poverty level (FPL). The study examined the costs and other concerns of expanding Medicaid under seven scenarios, including increasing eligibility caps to 200 percent of FPL, 400 percent of FPL, and eliminating all caps. The study also included an option for enrollee financial responsibility or cost sharing for each of these financial eligibility levels. The least expansive of the scenarios would add 93 thousand Medicaid enrollees by capping income eligibility at 200 percent of FPL (currently set at 138 percent) and would not include cost sharing. The most expansive scenario would add 326 thousand Medicaid enrollees by eliminating the income eligibility cap and would include no enrollee financial responsibility. State spending would be increased for these scenarios between $232 million and $581.7 million. Vermont passed a similar bill but later revised the legislation because of financial and network adequacy concerns.

For more info:

Department of Health Performance Page 126

Added to this mix, the latest iteration of the Medicaid managed care program in New Mexico, Turquoise Care established new network adequacy rules and strengthened access requirements for the managed care organizations that contract with the state to provide care. While these steps are intended to improve access, the impact is unclear.

LFC Online: Understanding Government Finances

Finance Facts: Medicaid

Disconnect Between Services and Outcomes

The state's middling ranking nationally for access to physical and behavioral health services is disconnected from its poor showing on many outcomes. For example, New Mexico in 2023 ranked 11th among the states for the number of behavioral health providers per 100 thousand population. However, while New Mexico's rankings on some behavioral health issues have improved, the state is still in the bottom third of states for the prevalence of most behavioral health concerns. The disconnect may be related to a lack of access to evidence-based behavioral health services.

For more info:

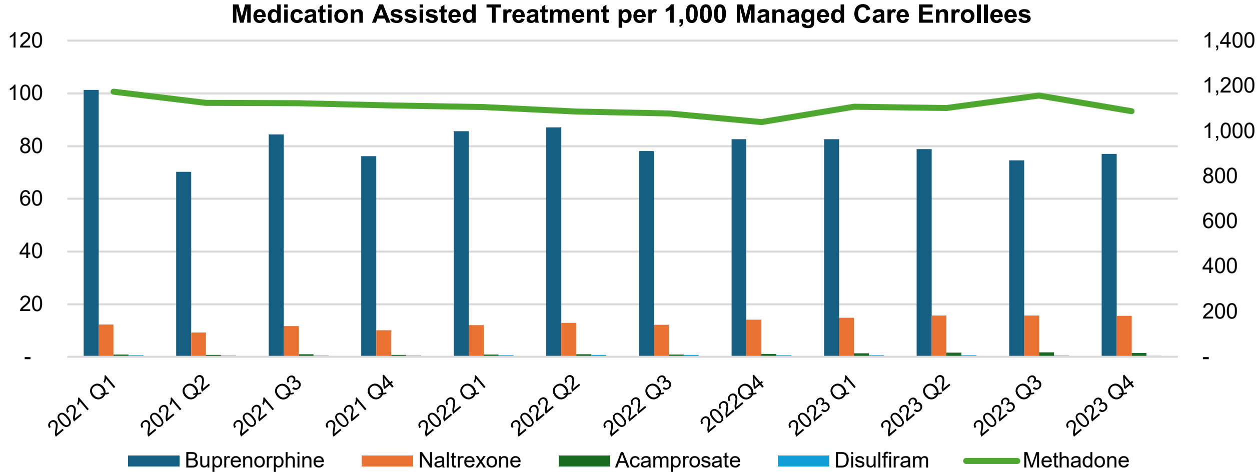
Behavioral Health Collaborative Performance
Page 124

LFC and other entities are working with the authority to gain access to data to study these issues further, but progress is slow, and the types of data currently reported do not help at getting to the root of these issues. For example, data on the number of visits per 1,000 people on Medicaid does not quantify how many of these visits were by unique patients. A small group of super users could be driving visit counts. There is no way to track whether high acuity diagnoses are driving utilization, what kinds of services people are receiving, and whether the services are evidence-based.

Evidence-Based Practices to Address Substance Use Disorders

According to addiction experts, including several who presented to LFC interim meetings, addiction alters the brain, making users more compulsive and impulsive, but medication-assisted treatment can repair the damage. Opioids initially cause euphoria, but the pleasure centers of the brain are altered, and the user loses the ability to feel pleasure in other ways. As use continues, the brain's circuitry

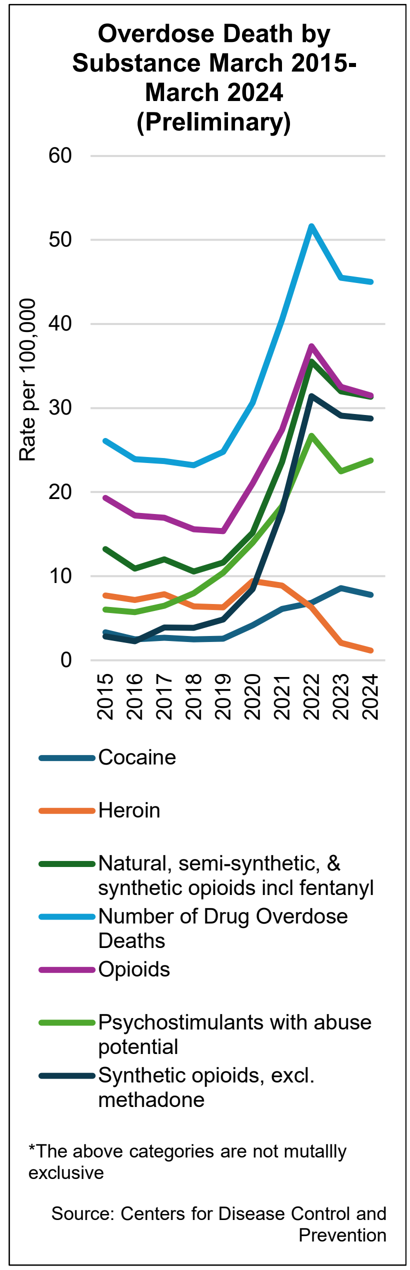
Medication Assisted Treatment per 1,000 Managed Care Enrollees



* Buprenorphine, Natltrexone, and Methadone are used to treat opioid use disorder and the Bupronorphine category includes the injectible Sublocade and suboxone and Zubsolv containing a combination of Buprenorphine and Naltrexone. Naltrexone is also used to treat alcohol use disorder along with Acamprosate and Disulfiram. All drugs are counted on a per prescription basis except Methadone which is typically administered on a daily basis in a clinical setting.

Sources: HCA MCO Reports and CMS Prescription becomes increasingly sensitive, and fear of withdrawal symptoms keeps users using. Eventually, the brain is altered to make the user more compulsive and impulsive.

Medicine, specifically methadone and buprenorphine, can restore healthy brain circuitry, and medication-assisted treatment can be used with at-risk populations, like the homeless and those in the justice system, outside of inpatient settings. Buprenorphine, specifically, can be prescribed and used not only outside of an inpatient setting but outside of a clinic. New Mexico has higher rates of overdose deaths than most states and the rate is highest in Rio Arriba, Socorro, and Sierra counties. Overdose deaths increased significantly during the pandemic and have not returned to pre pandemic levels. At the same time, the use of medication-assisted treatment (MAT) remained relatively flat for patients served by Medicaid.



According to the Substance Abuse and Metal Health Services Administration:

- MAT generally has better retention rates compared to inpatient treatment. Patients in residential programs may drop out or fail to continue treatment after discharge, whereas MAT can provide ongoing, consistent support.
- A combination of MAT and outpatient services often yields the best long-term outcomes for OUD. In the case of AUD, inpatient treatment may be useful for initial stabilization, but long-term success typically requires ongoing outpatient care, which may or may not include MAT.
- Inpatient treatment can be more appropriate for individuals with severe addiction, especially those who have co-occurring psychiatric disorders or unstable living conditions. MAT, on the other hand, is often effective for individuals who can maintain some degree of daily stability but need support in managing cravings and withdrawal.

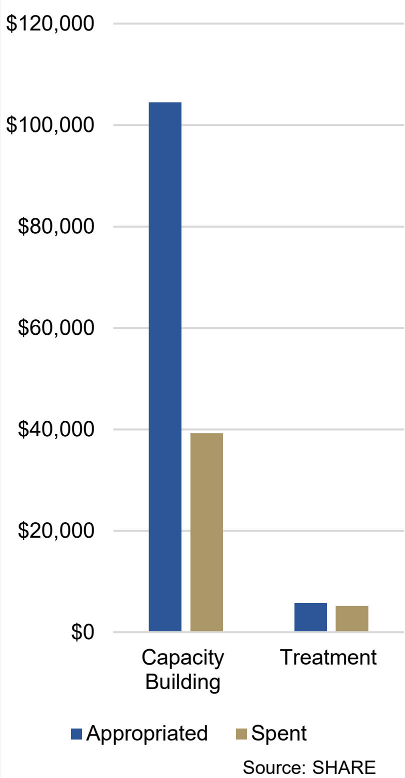
SAMHSA emphasizes the importance of increasing access to MAT through primary care settings to better address opioid use disorder. Integrating MAT into primary care can help address the gap in the number of providers and the number of people needing these services, especially in underserved or rural areas. Expanding access through primary care is particularly significant since specialized opioid treatment programs are not always available to everyone. MAT in primary care can allow for a more comprehensive approach to patient care, addressing both addiction treatment and general health needs concurrently.

Options to improve these disorders include promoting the use of the 988 behavioral health crisis line, making mobile crisis teams available statewide, and improving provider coordination.

Healthcare Capacity and Workforce

Many access barriers are related to capacity constraints, such as inadequate infrastructure available to establish practices, technological limitations, or a lack of financial resources to purchase equipment. These constraints are either exacerbated or caused by workforce issues, such as not being able to recruit and retain health and behavioral health professionals in rural areas or not having the training available to implement innovative best practices such as MAT in jails and prisons. The significant health challenges experienced by the state's Medicaid population will likely not improve if Medicaid enrollees continue experiencing these barriers.

Health Care Authortiy Nonrecurring Appropriations
FY23 and FY24
(in thousands)



LFC Online: Understanding Government Finances

Finance Facts: Child Support

Improving healthcare and behavioral health capacity involves optimizing workforce and physical space, streamlining administrative and supply chain processes, leveraging data and technology, reducing patient length of stay, using alternative and community-based care models, expanding telemedicine for both primary and behavioral health specialties, and promoting preventive care to reduce demand on acute and mental health services alike.

Rural Healthcare Delivery Grants. The Legislature over the last few years invested over $100 million in nonrecurring funding to increase capacity by improving the workforce and providing resources to purchase equipment. The largest part of these efforts were rural healthcare delivery grants for startup funding for new services that can then bill Medicaid.

However, very few of the new services are indicated as evidence-based and it is unclear how the authority prioritized grant awards. Additionally, the authority has not committed to tracking outcomes related to these grants although it reported the grants led to 396 health workers being hired and 23 thousand individuals served. It is also unclear whether the new healthcare workers that were hired were in addition to the already available workforce or if these workers simply moved from one clinic or practice to another. The authority says it has improved the award criteria for the second $46 million round of grants but, as of this writing, has not said what those criteria are.

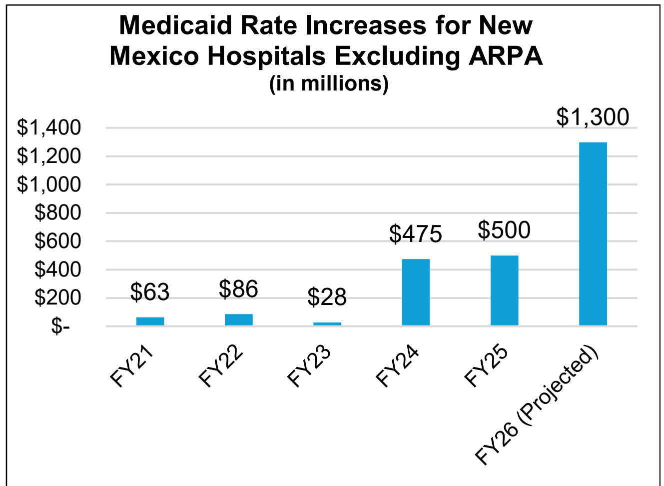
Workforce. The state's strategy to address social work and healthcare workforce shortages focuses heavily on educational expansion and professional retention. Despite efforts to incentivize long-term service, particularly in rural and underserved regions, the state faces persistent staffing gaps in both behavioral and physical health services. Incentives alone have proven insufficient to overcome challenges like professional burnout and resistance to working in these high-need areas.

In social work, New Mexico made progress by establishing additional educational programs, such as a master's degree at Eastern New Mexico University (ENMU), aiming to bolster the pipeline of trained professionals. While these expansions have increased enrollment and graduation potential, they are constrained by factors such as faculty shortages and the need for greater educational resources. The limitations have slowed the anticipated impact on the workforce, especially in critical public sector roles that require specialized training and support.

Health Care Workforce Committee Report. The New Mexico Health Care Workforce Committee's 2024 report noted, because of a 2021 ransomware attack at the Regulation and Licensing Department, the only information updated for the 2024 report was for emergency medical technicians, nurses, and midwives. Updated information for the other professions will not be available until 2026. The number of registered nurses increased by about 700 between 2012 and 2023. However, the total number of nurses decreased in every county considerably except Sandoval and Bernalillo which added about 1,400. Bucking this trend, the number of nurse practitioners and physician assistants in almost every county increased with certified nurse practitioners adding 997 and physician assistants adding 191 between 2013 and 2023.

New Mexico Hospital Financial Viability

New Mexico's hospital system faces a complex landscape where financial sustainability and service quality are in question, especially post-pandemic. The state's hospitals have seen fluctuations in revenue, and while they receive significant subsidies from both federal and state sources, financial stability varies widely, particularly between urban and nonurban facilities. Concurrently, with state government now contributing a substantial portion of hospital revenue, there is an increased opportunity—and responsibility—for the state to ensure accountability in the quality and accessibility of healthcare provided. Private equity ownership of many hospitals also raises concerns because it has been linked to potential declines in service quality and transparency, leading to heightened scrutiny on hospital acquisitions and management under the recent state Health Care Consolidation and Oversight Act.



Source: LFC Files

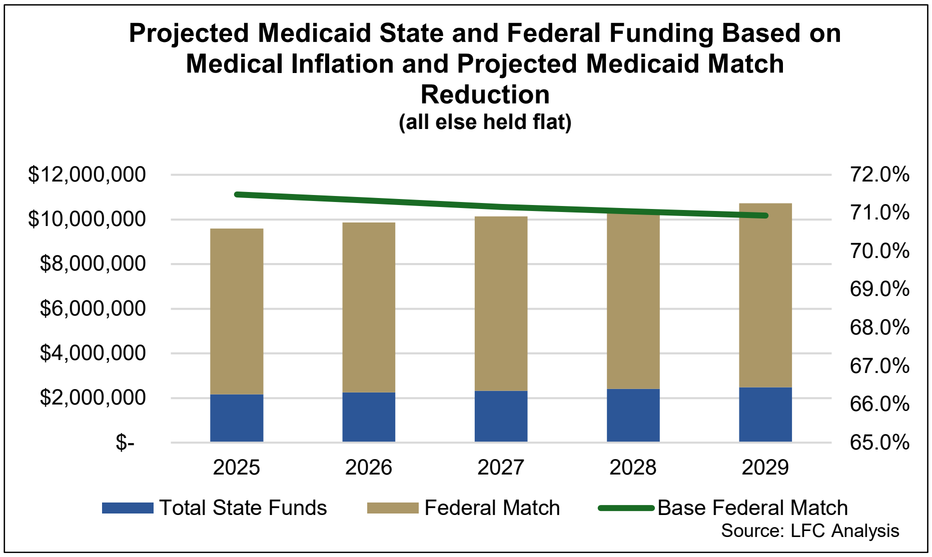
Hospitals are receiving or soon will start receiving unprecedented subsidies from both the state and federal governments, but state subsidies have uneven financial impact and are likely to help hospitals that are larger, and more profitable, than hospitals currently losing money. In FY21, the Legislature allocated $63 million for hospitals, in FY26, the projected amount is $1.3 billion and comes from changes related to the Healthcare Quality Delivery and Access Act (HDAA).

The HDAA takes advantage of federal matching dollars in the Medicaid program through a state assessment on hospitals that is pooled, matched 3-to-1 with federal dollars, and redistributed to hospitals based on a formula that considers both hospital size and performance. HDAA proceeds have not been disbursed yet and will have an uneven impact when they are. Sixty percent of dollars returned to the hospitals are based on Medicaid service volume. The remaining 40 percent is based on performance. However, acute care facilities will receive the allocated 40 percent regardless of their performance for the first year simply by submitting the current status of their metrics. On average, while most non urban hospitals are expected to become profitable following the disbursement of the HDAA, their margins will be much smaller, raising concerns about long-term viability. Moreover, hospital care quality is not guaranteed to improve with the disbursement. Because of the large state investment, the state must take advantage of the opportunity to increase accountability of hospitals within New Mexico.

Further concerns arise from estimates that show government revenues will comprise at least 74 percent of hospital revenues in 2025. However, as with the influence afforded by the HDAA, the volume of government support provided to hospitals positions the state to hold hospitals accountable and ensure that New Mexicans and the care they receive are the priority.

Federal Medicaid Spending and Budget Growth

With a matching rate of 3-to-1, the federal government's Medicaid funds exert significant pressure on the state to grow its overall Medicaid budget, composed



of the Developmental Disabilities Support, Medicaid Behavioral Health, and Medical Assistance divisions. Between FY19, the year prior to the pandemic, and FY25, Medicaid's total budget nearly doubled from $5.6 billion to $10.3 billion, with future growth likely because of a decline in the federal matching rate, continued 3 percent medical cost inflation, and the state's enactment of the Health Care Delivery and Access Act.

Decreasing Federal Match Rates. The base federal medical assistance percentage (FMAP), or the rate at which the federal government matches state Medicaid funds, is expected to decrease over the next few years, which may require the state to make up for the difference to maintain spending at current levels. Each year each state's FMAP is set based on how well the state is performing economically compared to all the other states as measured by per capita income. Through at least 2029, the state's economy is projected to improve when compared to the rest of the nation. This means that over the next five years the state's FMAP is projected to decrease by an average of about 0.14 percent per year, resulting in a general fund cost of roughly $4 million to $5 million annually.

For more info:
Aging and Long-Term Services Department Performance Page 131

Medical Inflation. Projected at an average of about 2.8 percent per year, medical inflation is also expected to exert pressure on the state to spend more general fund revenue. Medical inflation is caused by advancements in expensive medical technologies, increases in aging populations, rising rates of chronic diseases, escalating pharmaceutical costs, growing administrative expenses, higher wages for healthcare workers, hospital consolidations reducing competition, doctors defensively ordering unnecessary tests to avoid lawsuits, and regulatory and insurance design changes. Medical inflation is projected to add from $73 million to $75 million to the cost of Medicaid each year.

Recent and Upcoming Provider Rate Adjustments
(in millions)*

Provider Type	FY24	FY25	FY26
**Maternal and Child Health and Primary Care	$222.5	$148.5	
***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 Councelors^		$26.0	
Total	$358.0	$388.6	$1,361.4

* 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
^$5.8 million from EC trust added this year

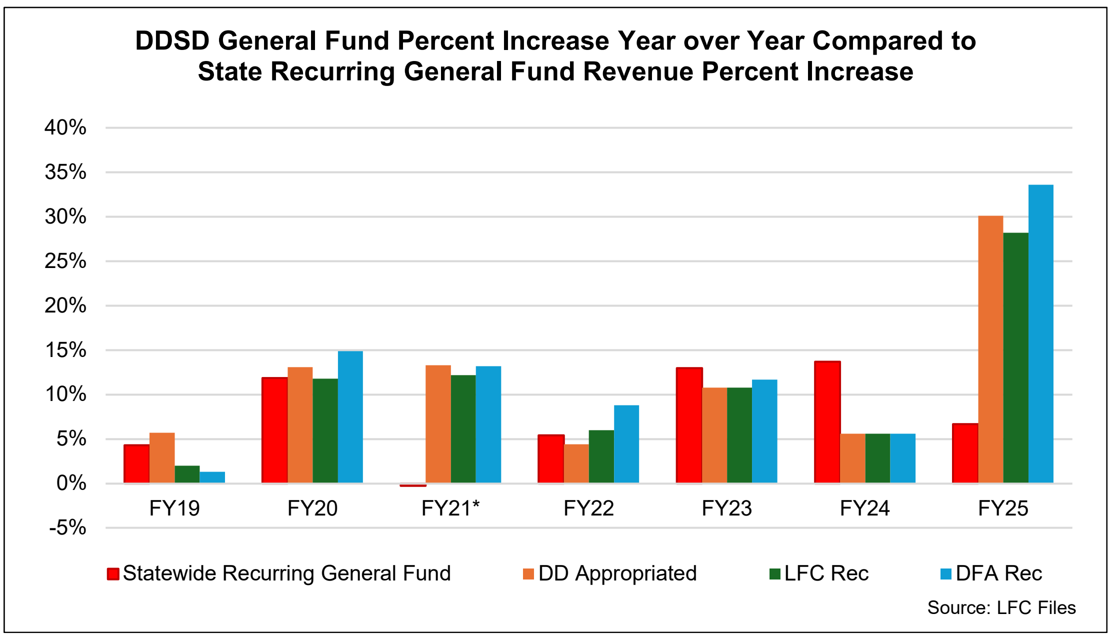
Services for People with Developmental Disabilities. Between FY22 and FY24, the state eliminated the waiting list for Medicaid waiver services for people with developmental disabilities and allocated about 2,500 people to the waiver program. Prior to the effort it could take up to 12 years to receive care, which was an enormous 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 authority is projecting there will be

A Closer Look Developmental Disabilities and Mi Via Waivers

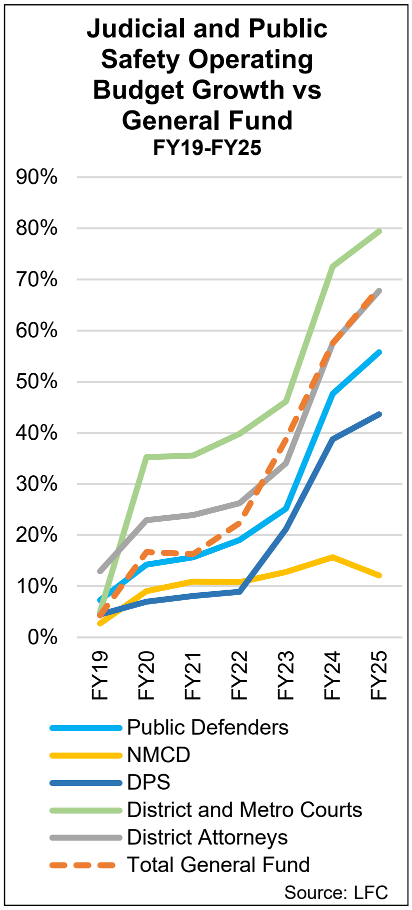
The Developmental Disabilities (DD) and Mi Via waiver programs, managed by New Mexico's Health Care Authority, serve 7,900 individuals with intellectual and developmental disabilities within their homes and communities. This progress report identified several findings that the Developmental Disabilities Supports Division (DDSD) has resolved from the 2018 program evaluation, most notably ending the Jackson lawsuit and eliminating a 13-year waiting list for services. However, this enrollment expansion led to provider shortages, and persistent quality-monitoring and cost-containment issues still remain.

In FY24, the state served 69 percent more waiver participants, placing a strain on providers, at least half of who were not accepting new clients as of August 2024. DDSD improved abuse and neglect response processes but lack robust monitoring of case management and consultant agencies, and still lack outcome-based performance tracking, such as participant independence or goal achievement. Finally, per-participant costs have increased 46 percent over the past decade to $98 thousand across both waivers. While provider rate increases have been a major cost driver, the division lacks oversight of participant service planning.

higher utilization among the population of 2,500 brought into the program in the last few years, causing higher costs. However, this may not be totally correct because 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.



Justice and Public Safety



In recent years, the Legislature made significant investments in judicial and public safety agencies, focusing on expanding services and addressing long-standing challenges. These investments include funding for recruitment and retention across law enforcement, judicial, and public safety agencies and infrastructure upgrades. However, implementation challenges, including high vacancy rates, underutilization of treatment courts, and slow adoption of medication-assisted treatment (MAT) and other evidence-based practices have limited progress.

Research shows that swift and certain justice in law enforcement and prosecution are crucial to reducing crime and maintaining public trust, and achieving long-term improvements in public safety requires interventions targeting the drivers of criminal behavior such as substance abuse and behavioral health disorders. New Mexico struggles with both. While the state's health system grapples with chronically high rates of alcoholism, drug use, suicide and depression, the judicial and public safety agencies face a growing accountability gap as clearance rates decline, and many crimes go unprosecuted. Even in some jurisdictions where clearance rates (the percentage of criminal cases that are resolved through the arrest, charging, or referral of suspects for prosecution) have improved, courts have made minimal progress in reducing backlogs. Additionally, district attorney offices—particularly in rural areas—continue to face high vacancy rates, which create delays in prosecution and limit public confidence in the justice system.

Future success will require addressing root causes, aligning funding with measurable outcomes, improving coordination across agencies, and focusing resources where they will have the most significant impact. Addressing operational challenges and expanding effective programs will be key to ensuring public safety investments deliver meaningful results.

Crime Prevention

Investments in public safety personnel, broadly, and law enforcement recruitment and retention have increased the number of law enforcement officers actively certified in the state. According to data from the Law Enforcement Academy, which oversees officer certification, in 2020, there were 4,024 certified officers in the state; in 2024, that number sits at 5,111, an increase of approximately 27 percent. Additionally, funding for evidence-based and intelligence-led policing and public safety projects has equipped law enforcement agencies with new technology to improve crime detection and response capabilities.

Effective Policing

Effective policing depends on community engagement, accountability, and appropriate use of force. Building trust requires officers to de-escalate situations, use evidence-based practices, and receive ongoing mental health support. Recent statutory changes have strengthened certification and decertification standards to ensure officers meet rigorous training requirements, particularly around the use of force. Improving coordination among law enforcement agencies and focusing on outcomes will help reduce delays, address systemic challenges, and better align policing with public safety goals.

For more info:

Department of Public Safety Performance
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Law Enforcement Funding. In 2022, the Legislature established a program within the Department of Finance and Administration (DFA) to distribute up to $50 million over five years to local law enforcement agencies for recruitment and retention stipends and to enhance investigative capacity. In 2023, the Legislature allocated $139.5 million to strengthen law enforcement workforce capacity, funding recruitment and retention while also improving the solvency of the law enforcement protection fund. In 2024, Chapter 47 expanded eligibility for retention bonuses to include lateral transfers, officers with more than 20 years of service, and those reaching five-, 10-, 15-, or 20-year milestones.

Law Enforcement Oversight Changes. Since 2022, the Department of Public Safety (DPS) has worked to begin staffing the Law Enforcement Certification Board (LECB) and the Law Enforcement Standards and Training Council (LESTC) to oversee officer certification and decertification and set higher standards for law enforcement training and accountability. LECB has focused on creating public transparency by tracking and publishing misconduct cases in a searchable database. At the same time, LESTC ensures officers meet the necessary standards to maintain certification or face disciplinary action when they fall short.

Additionally, DPS has supported initiatives that empower the Law Enforcement Academy (LEA) to provide updated officer training. This includes satellite training programs across the state to ensure accessibility and consistency. LEA also plays a role in implementing reforms emphasizing minimal force usage and professional standards, aligning with legislative goals to improve trust between law enforcement agencies and their communities.

Law Enforcement Data. DPS is also expanding intelligence-led policing by using data analytics to target high-crime areas. However, only 78 percent of the state's 130 law enforcement agencies (covering 86 percent of the state's population)

A Closer Look Bernalillo County Crime Update

The Legislative Finance Committee's 2024 progress report on Crime in Bernalillo County focused on crime trends and justice system performance. The report identifies several key challenges, including rising property crime, the high rate of violent offenses, and persistent gaps in arrest and conviction rates. It highlights that although New Mexico has invested heavily—approximately $829 million from FY23 to FY25—in criminal justice reform, public safety, and victim services, outcomes remain mixed. Notably, funding has prioritized treatment services ($484 million), law enforcement recruitment and retention ($150 million), and criminal justice infrastructure improvements, including $40 million for better data systems

Despite these investments, systemic issues continue to hamper progress. The report notes clearance and conviction rates are low, with most failed prosecutions attributed to inadequate evidence collection and limited cooperation from victims and witnesses. Additionally, participation in treatment courts and diversion programs has not recovered to pre-pandemic levels, limiting efforts to address root causes like substance use disorders. The findings emphasize the need for strategic reforms aimed at enhancing evidence collection, improving service utilization, and increasing accountability to ensure these public safety investments yield meaningful results

LFC Online: Understanding Government Finances

Finance Facts: Corrections

reported to the National Incident-Based Reporting System (NIBRS), limiting the reach of these strategies.

Judicial and Public Safety Agency Funding

Since FY21, nonrecurring general fund investments in public safety totaled $424.7 million. An analysis by LFC flagged ongoing issues with agencies struggling to spend appropriated funds for public safety due to various logistical and operational challenges. Key issues include delays in project implementation and high vacancy rates within agencies, which have slowed the disbursement and utilization of funds. These unspent funds can reflect inefficiencies in agency operations, often exacerbated by staff shortages and complex compliance requirements that have hindered progress across multiple public safety initiatives. To address some of these challenges, agencies have been encouraged to improve inter-agency coordination and invest in project management capacity to ensure that public safety initiatives can move forward more efficiently and meet legislative expectations.

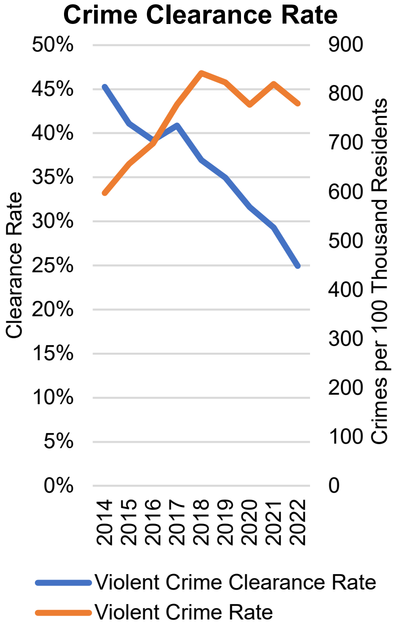
Crime

The FBI's annual crime data highlights New Mexico's persistent challenges, particularly in Bernalillo County. While violent crime statewide decreased by 5 percent from 2021 to 2022, the state still had the second-highest violent crime rate in the nation. Property crime increased during the same period, with New Mexico's property crime rate rising 7.6 percent per capita.

Property and Violent Crime Trends

Despite national trends showing a 15 percent decline in violent and property crime between the first quarters of 2023 and 2024, Albuquerque did not experience the same improvements. Instead, the city reported no reduction in violent crime, a 13 percent increase in property crime, and a 31 percent rise in motor vehicle thefts. Bernalillo County continues to drive state crime statistics, with its violent crime rate remaining well above both state and national averages. Although some parts of the state have seen slight improvements, the violent crime rate in 2023 was 749.3 per 100 thousand residents—more than double the national rate of 363.

New Mexico Violent Crime Rate vs. Violent Crime Clearance Rate



Source: FBI, LFC files

Clearance Rates and Accountability Gap

The "accountability gap" in public safety refers to the disconnect between substantial resources directed to law enforcement and the outcomes achieved in terms of crime reduction and public safety. Despite extensive investments, the state continues to face challenges in addressing crime, particularly due to unmet public safety targets, operational delays, and persistent staff shortages in the criminal justice system. This gap is evident in declining police clearance rates, indicating fewer crimes solved and leaving repeat offenders unaccounted for—a problem exacerbated by workforce and training shortages across departments.

New Mexico courts have seen some improvements, such as faster case processing times, with criminal case handling down to 221 days on average in FY24—a 56-day improvement from FY23. Clearance rates reached 100 percent, helping prevent new backlogs. However, significant existing backlogs remain, especially in high-demand areas like Albuquerque and Bernalillo County. Here, prosecution and conviction rates are particularly low, with only 19 percent of violent crimes and

6 percent of property crimes cleared, leaving high-risk offenders in communities. Addressing these challenges requires enhanced evidence handling, stronger inter-agency coordination, and focused efforts to address backlogs and improve the accountability of case outcomes. These measures are necessary to ensure public safety goals are met and the full impact of the state's investments are realized.

Case Dismissals. Cases can be dismissed for various reasons, including insufficient evidence and lack of victim or witness cooperation. These issues can lead to case dismissals at multiple stages. LFC staff analyzed a representative sample of repeat offenders to determine case outcomes and common reasons for their dismissal. Based on this analysis, LFC staff found most dismissals for repeat offenders were due to issues with evidence collection and victim or witness cooperation.

Juvenile Diversion and Crime

In the early 2000s, New Mexico started implementing several reforms reflecting national best practices for juvenile justice, including using a risk assessment at the state level, evidence-based treatment, and diversion programming, including treatment courts. Subsequently, LFC reports have found issues with implementation, including reduced delivery of programming like multisystemic therapy and family functional therapy, disruptions in the use of state-level risk assessment, and discontinuation and lower enrollment in juvenile treatment courts.

For more info:

Corrections Department Performance Page 132

Juvenile treatment courts' capacity and participation have significantly dropped since FY17. Since the beginning of FY17, 12 of the 16 juvenile treatment courts, or 75 percent, have ceased operations. The remaining juvenile treatment courts are in the 2nd Judicial District (reopened in early FY25), the 3rd Judicial District, and two programs in the 13th Judicial District in Los Lunas and Grants. The combined capacity of these programs is 85 participants, with only 19 participants at the end of FY24. The most common reasons for these closures and low participation, according to the Administrative Office of the Courts (AOC), are lack of—or difficulty obtaining— referrals from the Children, Youth and Family Department (CYFD), which prefers using internal systems to provide support, or challenges in working with juvenile probation officers who do not agree with the judge's decision or practices in the treatment court model.

Subsequently, the 2nd Judicial District Court reported upward trends in juvenile criminal cases, with 781 juvenile cases in 2023, an increase of 38 percent from the prior year. Of those cases, 34 percent involved juveniles with firearms. Similarly, the 2nd Judicial District Attorney's Office saw a significant increase in cases involving juveniles with firearms in Bernalillo County in 2023. There were 233 cases involving juveniles with firearms in 2023 compared to 145 such cases in 2022, a 61 percent increase. Because of this, the 2nd Judicial District Attorney's Office implemented a new policy in 2024 for felony cases requiring juvenile offenders to inform the prosecutors where they obtained the firearm before being offered any plea agreements.

Judiciary Efficiency and Effectiveness

Public safety outcomes depend on actions within the criminal justice system and external factors that influence crime. Strengthening judiciary efficiency involves ensuring agencies are properly staffed and positioned to implement best practices for enhancing case management and reducing delays in the flow of cases through the system. Recent appropriations aim to support the recruitment and retention of public defenders and prosecutors across the legal and judicial systems, including a dedicated public attorney workforce capacity-building fund administered by DFA. Judiciary recruitment efforts also received significant funding to address retention and align salaries with market levels.

For more info:

Courts and Judicial Agencies Performance
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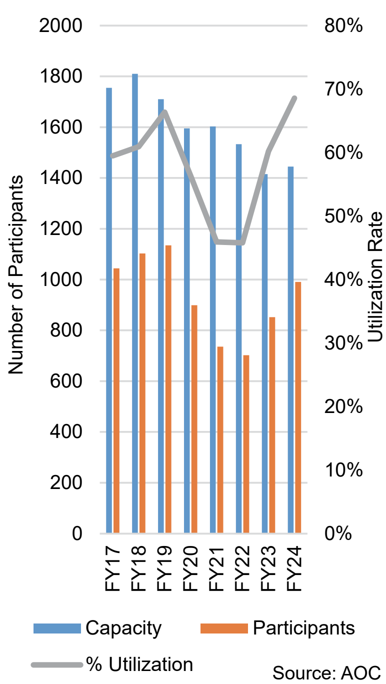
Pretrial

Pretrial and diversion programs are affected by the judiciary-wide issues of staffing and retention. However, PDD reported the number of felony, misdemeanor, and juvenile cases resulting in alternative sentencing treatment increased drastically to 28,523 cases, an increase of 15,263 cases from FY23, or 115 percent. Additionally, drug and DWI court recidivism rates have increased since FY23 but continue to be lower than recidivism for individuals leaving jails and prisons. The Administrative Office of the Courts (AOC) and several district courts received funding to enhance pretrial services, including $4 million in FY25 earmarked to support 24/7 monitoring and ensure more effective pretrial release decisions. These investments aim to reduce reliance on detention and improve case management efficiency across judicial districts.



Pretrial Detention. Recent legislative efforts expanded funding for pretrial services, improving infrastructure and reporting consistency. The 2023 General Appropriations Act (GAA) allocated $2.5 million to AOC for staff and hearing improvements. These measures aim to balance detaining high-risk individuals with the presumption of innocence. Judges in the 2nd Judicial District use the public safety assessment (PSA) tool to assess defendants' risk, with a 2024 UNM study finding 80.8 percent of released defendants had no new charges, and 4.8 percent were arrested on violent charges—comparable to other jurisdictions. Policy discussions have centered on a "rebuttable presumption" for detaining violent offenders, shifting the burden to defendants to prove they pose no threat. Advocates argue this could erode constitutional protections and increase jail populations.

Risk/Needs/Responsivity Framework. For the past two years, AOC has been conducting a pilot program that incorporates the best practices identified through national and local treatment court research and the promising aspects of the multi-track treatment court model within the current court and probation infrastructure. The program screens justice-involved individuals so an integrated case management plan can be developed, implemented, modified as necessary, and reevaluated as required throughout their term of probation.

Diversion Programs. The Legislature has prioritized treatment courts, an evidenced-based practice, over the last several years. While underutilization has continued, FY24 figures show programs at or overcapacity, especially for DWI and adult treatment courts. Statewide utilization of treatment courts for FY24 was around 69 percent, but a mix of adult and DWI treatment courts and a young adult treatment court (2nd Judicial District) from the 1st, 2nd, 4th, 8th, 11th, and 13th Judicial Districts were over capacity. Additionally, of the districts over capacity, the 2nd Judicial District's young adult treatment court has the largest capacity at 60 participants and the other districts range from 15 to 25 participants. While utilization has been increasing throughout FY24, capacity has been on the decline, although the courts have added two new treatment programs in the 4th and 11th judicial districts during FY24.

Prioritizing capacity building for treatment courts, especially those districts dealing with capacity issues would allow more individuals to receive service and help treatment providers and court staff with their workload. Drug and DWI court recidivism rates have increased since FY23 but continue to be lower than recidivism for individuals leaving jails and prisons.

Treatment Court Capacity

Program capacity is driven by:

- Staff capacity to provide monitoring and support services for individuals in treatment,
- Capacity of local providers to deliver treatment and services,
- Treatment court judge's availability to hear these cases based on their regular docket size and complexity.

Assisted Outpatient Treatment. Assisted Outpatient Treatment (AOT) programs have demonstrated efficacy in improving outcomes for justice-involved individuals with serious mental illness. Studies indicate that AOT can lead to reductions in hospitalization rates, arrests, and instances of violent behavior. For example, in New York, the implementation of AOT under Kendra's Law resulted in a 74 percent decrease in homelessness, a 77 percent reduction in psychiatric hospitalizations, and an 83 percent decline in arrests among participants. Additionally, a study in Los Angeles County reported AOT led to a 78 percent reduction in incarceration and an 86 percent decrease in hospitalization among participants. These findings suggest AOT programs can effectively enhance treatment adherence and reduce adverse outcomes for justice-involved individuals with mental health conditions.

Currently, New Mexico has two assisted outpatient treatment (AOT) programs. One is in Doña Ana County in the 3rd Judicial District. This longstanding program serves approximately 40 individuals per year. AOT is re-starting in Bernalillo County in the 2nd Judicial District and aims to serve 40 people per year, too. However, ongoing recruitment issues throughout the judiciary, as well as the shortage of behavioral health providers, could hinder the effectiveness of these programs.

Competency. At the Bernalillo County Metropolitan Court, 512 cases involving 294 individuals were dismissed due to competency. These 512 cases were out of 25 thousand felony cases overall. Although only about two percent of felony cases are dismissed due to competency each year, this is a high-needs population that ends up using a disproportionate share of law enforcement resources. When defendants are found incompetent, their cases are dismissed unless they are evaluated by a behavioral health practitioner certified to conduct competency evaluations and found dangerous. A shortage of qualified behavioral health practitioners hinders the state's ability to fully reach and treat these individuals.

Competency Reforms

During the 2024 legislative session, the Legislature proposed reforms to criminal competency laws through House Bill 233 and Senate Bill 16. The bills required courts to hold competency and dangerousness hearings on the same day in felony cases and allowed judges to order treatment or detention for defendants found both incompetent and dangerous. They also sought to expand access to civil commitment assessments by permitting referrals from family members, healthcare providers, or the state.

However, the bills did not pass, and challenges remain in conducting timely competency evaluations. A shortage of certified evaluators and behavioral health providers has led to delays, with out-of-custody defendants often waiting up to six months for evaluations. The limited capacity at the Behavioral Health Institute in Las Vegas, the only public psychiatric hospital with forensic services, further complicates the issue.

In the 2024 special legislative session, the Legislature allocated $3 million to the Administrative Office of the Courts (AOC) to support assisted outpatient treatment (AOT) and competency diversion pilot programs. The funding provides for two statewide and four local program managers, eight navigators, two data analysts, AOT-related treatment, court-appointed attorneys, and database costs.

Victim Services

The Legislature has steadily increased funding for victim services and support, where demand remains high despite recent declines in violent crime. Changes to the federal Victims of Crime Act (VOCA) funding formula are expected to reduce the amount of money the state receives for victim services by approximately 40 percent over the next five years.

During the 2024 session, the Legislature took action to protect critical services for crime victims in the face of federal funding cuts under the Victims of Crime Act. Recognizing the role of these services in helping victims recover and rebuild their lives, lawmakers ensured continuity by approving a mix of recurring and nonrecurring appropriations including $2 million in one-time funding for the Crime Victims Reparation Commission (CVRC) to maintain support for victims reliant on federal grants, $1.2 million in ongoing funds to sustain victim care and support, and $5 million over FY23 and FY24 to embed victim advocates within law enforcement agencies. These advocates provide immediate assistance to survivors of violent crime, helping them navigate trauma and access resources. Additionally, $3 million in FY24 was allocated to expand programs addressing gun violence and sexual assault.These investments had a significant impact. While other states scaled back services due to reduced federal VOCA funding, New Mexico maintained full support for its crime victims.

Recidivism Reduction

Recidivism, measured by the rate at which released inmates return to prison, is one of the most important metrics of NMCD's success. Although the agency's three-year recidivism rate has improved, it remains high. To better focus on reentry efforts, NMCD created a Reentry Division, consolidating education, workforce training, and transitional services into a single unit.

Research shows structured reentry programs aimed at addressing factors like unemployment, substance abuse, and housing instability reduce recidivism. In recent years, NMCD has prioritized selecting providers and programs that meet evidence-based standards by including specific requirements in requests for proposals. In FY24, NMCD increased evidence-based programmatic funding to $15 million, with plans to continue expanding these investments in FY25. Additionally, the FY23 budget included $2 million for transitional housing support, a critical component in helping individuals reintegrate into communities.

Corrections Department Programming

In recent years, NMCD has focused on improving access to behavioral health services and substance abuse treatment, recognizing that a significant portion of the incarcerated population struggles with these challenges. Other initiatives aim to address immediate needs on release, including housing, therapeutic services, and job placement support. However, the effectiveness of these efforts has been mixed, with participation rates in some programs below expectations and high recidivism rates persisting among those enrolled. These findings underscore the need for more robust and well-coordinated reentry programs, with a focus on improving program accessibility and outcomes reporting.

Education Programming. NMCD has worked to improve educational programming, emphasizing helping incarcerated individuals obtain high school equivalency, technical certifications, and vocational training to improve job readiness and reentry outcomes. In FY24, the agency noted significant improvements in the number of individuals who obtained their high school equivalency certification. Still, participation remains inconsistent due to staffing shortages and limited access in lower-security facilities, where mandatory security requirements restrict availability. Inmates who complete these programs are less

Felons in Possession

Firearm possession by felons remains a significant issue within the criminal justice system. Many felony cases involve repeat offenders, and firearm-related crimes are increasingly contributing to violent crime trends. Data from the 2nd Judicial District Court shows that cases involving felon-in-possession charges are frequent and often linked to broader patterns of drug-related offenses and violent disputes.

Law enforcement agencies report challenges with securing convictions in these cases due to difficulties in evidence collection and issues with victim or witness cooperation, further complicating efforts to reduce recidivism and enhance public safety.

The rise in firearm possession among felons has also been associated with increased violent conflicts, particularly within gang-related activities. The disruption of public services during the Covid-19 pandemic contributed to the escalation, as law enforcement recorded higher rates of violent incidents and gun-related offenses during this period. Efforts by the judicial system to target repeat offenders and those with prior gun convictions are ongoing, with specialized prosecution units focusing on firearm-related felonies.

likely to recidivate. NMCD acknowledges the need for better program access and improved evaluation tools to track the long-term impact on recidivism.

Housing. Individuals leaving incarceration face significant challenges in securing stable housing, which can make them more likely to engage in criminal behavior, contributing to cycles of re-incarceration. Individuals often reenter society with limited financial resources, further complicating efforts to secure housing. States with successful reentry programs frequently employ housing vouchers, community-based support networks, and partnerships with nonprofit organizations to increase access to housing for justice-involved individuals. Housing restrictions, including public housing limits and landlords' reluctance to rent to those with criminal records, hinder reentry.

Transitional housing programs aim to fill these gaps but frequently lack sufficient capacity and funding to meet demand. NMCD introduced pilot programs in Clovis and Las Cruces, that provide short-term financial assistance and immediate access to therapeutic services upon release. However, these initiatives experienced mixed outcomes, with high rates of recidivism among participants, suggesting more targeted interventions are necessary to foster long-term stability.

Healthcare and Behavioral Health in Criminal Justice

Approximately 59 percent of incarcerated individuals in New Mexico suffer from a mental health disorder, and 65 percent struggle with substance use issues. Addressing these challenges is essential not only for improving individual well-being but also for reducing recidivism. Research consistently shows expanding access to behavioral health services can significantly improve outcomes during reentry. NMCD is increasing access to MAT for individuals nearing release and coordinating with Medicaid to initiate coverage up to 90 days before release, easing reentry.

However, a shortage of qualified mental health providers continues to limit both the availability and timeliness of competency evaluations and treatment services, restricting the justice system's ability to divert individuals into care rather than incarceration. New Mexico's Behavioral Health Institute, the state's primary psychiatric facility, operates below full capacity, compounding these service gaps.

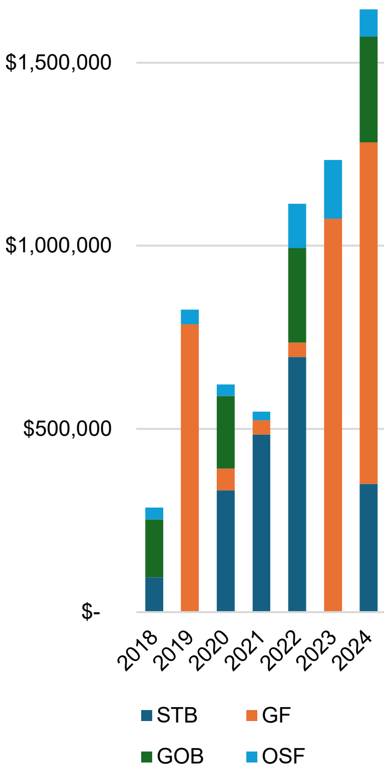
A Closer Look Reentry Evaluation

A 2024 LFC evaluation found, despite programs focused on education, career training, substance abuse treatment, anger management, and reentry, for both those incarcerated and under community supervision, nearly 40 percent of released prisoners return within three years, a rate that has improved slightly since FY19 but remains above the FY19 national average of 27 percent. Among contributing factors is the inconsistent classification of offenders, which does not always align with their assessed risks and needs. NMCD is not gathering or reporting comprehensive data on incarcerated individuals to refine the reentry processes. Fees imposed on offenders are higher than most states, though their impact on recidivism is unclear. Additionally, probation and parole officers' caseloads remain high despite staffing improvements.

The evaluation recommends more extensive use of data, greater integration of the data systems of adult prisons and the probation and parole department, continued close collaboration with the Workforce Solutions Department, and more focused efforts to combat substance use disorder in prisons and for those under community supervision. Further, additional probation and parole officers could reduce caseloads and increase the effectiveness of post-release programming.

Public Infrastructure

Annual Capital Appropriations by Fund Source
(in thousands)



Source: LFC files

LFC Online: Understanding Government Finances

[Finance Facts: Capital Outlay Process]

Strong state revenues and an influx of federal dollars in recent years have supported major capital spending packages to deliver essential public services, support economic development, and improve quality of life for New Mexicans. But the state faces significant challenges in using available funds effectively, including high construction costs, a growing backlog of capital appropriations, capacity limitations in the public and private sectors, and insufficient planning and coordination of funding sources. The Legislature has taken significant steps to address these challenges by creating a new infrastructure division, investing in capacity development, and bolstering effective loan and grant programs for critical infrastructure, and it has additional opportunities to build on these efforts and improve the outcomes of capital spending.

Capital Landscape

Demand for infrastructure dollars continues to exceed available funding, even as state revenues surge. Capital outlay requests for 2025 from local entities, state agencies, and higher education institutions total just under $6 billion. Requests include $431.7 million from higher education institutions and special schools and $1.3 billion from state agencies and the judiciary. Additionally, as of mid-December, local entities had submitted roughly $4.1 billion in requests for direct capital appropriations from the House and Senate. In comparison, total funding for capital projects in FY24, the last year without general obligation bonds, was roughly $1.1 billion, a historic high at the time. With unspent balances from previously funded projects rising, the Legislature should consider not only need in its funding decisions but the capacity of state agencies, local entities, and the private sector to spend additional funds and complete projects. Additionally, general fund surpluses could allow lawmakers to prioritize the most critical capital needs with cash investments and avoid the need for debt financing for most projects for the third year in row. Such a strategy would allow additional revenue to flow to the permanent fund with the goal of increasing future recurring revenue.

Capital Backlog

Large capital appropriations packages several years in a row combined with surging revenues in programs that support capital projects outside the annual appropriation process are contributing to historically high outstanding balances. At the end of FY24, unspent capital balances reached an all-time high, totaling an estimated $5.9 billion, a 15 percent increase over the previous year and a 58 percent increase over FY22. The number of active projects underway with this funding has also increased, though at a slower rate. Total balances at the end of FY24 included projects authorized by the Legislature ($3.4 billion), projects funded through severance tax bond earmark programs ($648.8 million), supplemental severance tax bonds for public school construction ($1.6 billion), and special appropriations to capital projects ($247.1 million). The special appropriations balance represents uncommitted and unspent funds from $977.4 million in appropriations during the 2021 special and 2022 regular sessions.

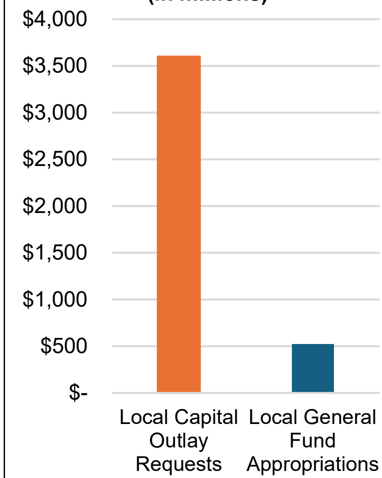
LFC Online: Understanding Government Finances

Finance Facts: Bonding Capacity

Opportunities to Improve Local Project Success

"Local" capital projects are sponsored by individual legislators and the executive, who receive requests for funding from municipal, county, and tribal governments, political subdivisions, and other entities. Local capital appropriations provide 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.

2024 Local Requests vs. General Fund Appropriations
(in millions)



Source: LCS

The largest overall amounts are regularly appropriated to three categories of local projects: roads, water and wastewater, and parks and recreation facilities. This pattern indicates 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. About 45 percent of projects in the 2024 capital bill received 50 percent or less of the funding requested for those projects. Such piecemeal funding, along with obstacles like insufficient planning and local capacity limitations, often prevent completion of projects in a timely manner—or at all. For years, the state has not lacked clarity on these challenges nor potential solutions. What it has lacked is action to implement solutions.

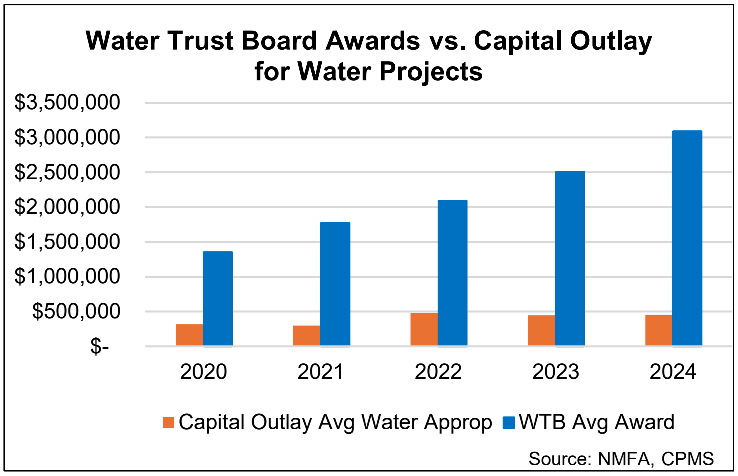
Recently, however, the Legislature has taken several important steps to support local project success, and it can continue to build on these efforts in the 2025 session.

Special Grant Programs. Legislative appropriations and statutory earmarks on certain revenues support a number of state-funded grant and loan programs that fund similar projects to capital outlay. The Legislature has expanded and bolstered these programs with recent revenue surpluses. In 2022 and 2023, the Legislature appropriated $85 million to the Department of Finance and Administration for a grant program for local recreation and quality of life projects, for example, and it created a related but more specialized grant program for trail development through the Outdoor Recreation Division of the Economic Development Department. In 2024, the Legislature appropriated an additional $50 million to the water project fund to address a gap between qualified applications and available funding for water projects funded through the Water Trust Board. The Legislature created the transportation project fund in 2019, which now receives a portion of the motor vehicle excise tax to provide 95 percent grant support for local road projects.

Top Categories of Local Capital Appropriations by Year

Year	Category	Appropriations
2021	Highways, Roads & Bridges	$47,763,092
2021	Water, Wastewater, Utilities, Waste	$44,414,128
2021	Parks & Recreation	$30,688,891
2022	Water, Wastewater, Utilities, Waste	$89,066,526
2022	Highways, Roads & Bridges	$44,316,635
2022	Parks & Recreation	$34,263,765
2023	Water, Wastewater, Utilities, Waste	$93,099,151
2023	Law Enforcement & Public Safety	$83,073,432
2023	Parks & Recreation	$63,882,610
2024	Highways, Roads & Bridges	$452,662,500
2024	Parks & Recreation	$61,339,000
2024	Water, Wastewater, Utilities, Waste	$77,618,262

Source: CPMS



These programs have proven popular with communities, and LFC program evaluations have found they support project completion more effectively than capital outlay—partly because they have application-based processes that vet projects for need and readiness and partly because they are able to provide higher levels of funding. For example, water and wastewater projects are among the most common capital outlay appropriations but are typically expensive projects that are difficult to fully fund with the allocations each legislator receives. The average capital outlay appropriation to water and wastewater system projects was roughly $455 thousand in 2024. The average award from the Water Trust Board, in contrast, was $3.1 million. A similar gap exists for road projects funded through the transportation project fund versus capital outlay. The average transportation project fund award in 2024 was $1.1 million versus $514 thousand for capital outlay.

LFC Online: Understanding Government Finances

Finance Facts: Local Capital Outlay Planning

Infrastructure Planning and Development Division. The new Infrastructure Planning and Development Division within the Department of Finance and Administration, statutorily created in 2024, which will be charged with improving support to local communities in developing projects, finding funding, and managing grants. The division was created to bring an increased level of focus and strategy to a multitude of challenges that inhibit infrastructure development, upkeep and replacement in the state, particularly for local communities.

Limited capital outlay dollars are often appropriated to projects for which other dedicated funding sources exist, including grant funding. Due to a lack of centralized infrastructure planning and coordination and inconsistent vetting of project requests to the Legislature, capital outlay dollars are not used strategically to supplement such sources for communities or projects of greatest need. This can contribute to geographic inequity, lead to project delays, and increase overall costs, particularly when communities opt to chase capital outlay dollars year after

A Closer Look State-Funded Water Projects

Government entities across New Mexico are reporting $5.7 billion in future water and wastewater infrastructure needs. Although local governments are primarily responsible for providing safe and adequate water for their communities, the state provides hundreds of millions of dollars from multiple funding sources to support water infrastructure.

A 2024 LFC policy spotlight report found state capital outlay subsidies allow many water and wastewater utility systems to ignore financial best practices. Many water and wastewater systems are not financially sustainable because New Mexico's capital outlay system provides unsystematic subsidies and allows water and wastewater systems to set artificially low water rates and defer necessary repairs and replacements. Case studies of just three different water systems show how insufficient water rate revenue, maintenance, and long-term financial planning contributed to roughly $123 million in requests for state funding. The report recommends the Legislature should consider funding water infrastructure projects solely through the state Water Trust Board, the colonias infrastructure fund, the tribal infrastructure fund, and state revolving fund which have systematic processes for project and financial management. The report also recommends public water and wastewater systems should set sufficient water rates or consolidate if ratepayer populations and revenues cannot support their operations and capital needs.

year until a project is fully funded. Additionally, many local communities lack the expertise or capacity to piece together various funding sources, effectively handle procurement when they secure funding, and manage projects to completion.

As of October 2024, the Infrastructure Planning and Development Division had begun staffing its navigation and funding assistance bureau, its planning bureau, and integrating DFA's existing federal grant bureau into its functions. In year one, leadership of the new division is prioritizing standing up systems and processes that will provide a foundation for achieving the policy goals of the division going forward. This includes a new system for planning, funding and managing projects that should improve the state's ability to coordinate and prioritize funding and to track project status and outcomes. Implementation of such a system could support improvements to the legislative capital appropriations process, at the discretion of the Legislature.

Improved Vetting of Local Requests. Legislators receive a large volume of requests and must make funding decisions quickly with limited staff support. This makes vetting requests for need, quality, and readiness difficult and inconsistent. As a result, many projects are funded before planning is complete, before they are ready for construction, without consideration of local financial and managerial capacity to execute the project, and with appropriations that represent only a fraction of the total cost of a phase or the project as a whole.

Legislators can address these challenges by voluntarily applying recommended vetting criteria when considering requests and by coordinating with one another and the govenor's office to fund priority projects at a higher level. Some delegations, including in the southeast, the northwest, and Santa Fe, consistently coordinate funding across shared districts and consider it successful.

For the 2025 session, LFC worked with the Legislative Council Service to adopt an earlier deadline for local requests, which will provide legislators with more time to vet projects and coordinate funding priorities. With additional legislative district staff being hired, legislators will also soon have more staff support that could be used to improve capital outlay decisions. LFC has also worked with the Legislative Council Service recently to modify the project request form legislators receive to make it easier to discern whether projects meet recommended criteria. The form will also show the project stage so legislators can more easily identify readiness for construction or need for funding for planning or design, and they can incorporate such information into appropriations decisions.

Completing Existing Projects. Rising construction costs and limited availability of contractors are contributing to project delays, forcing entities to reduce project scope and jeopardizing project completion. Compared with other funding sources, capital outlay has limited flexibility to address shortfalls during the course of a project, and the state does not currently have a systematic way of identifying projects delayed by inflation-driven budget issues. To address these issues, the Legislature could make appropriations to existing funds that could be utilized to fill gaps for projects through agency-based application processes. Legislators could also prioritize their individual discretionary funds to complete high-priority projects experiencing relatively minor shortfalls and to new projects that can reach full funding with available capital appropriations.

For more info:

General Services Department Performance
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Recommended Local Project Vetting Criteria

- ✓ Project reduces health and safety hazards or provides key infrastructure for economic development;
- ✓ Project is a top-three priority on a public entity's infrastructure capital improvement plan;
- ✓ Total project cost is based on estimates provided by a contractor, engineer, architect, or other qualified professional;
- ✓ Land, property, rights of way, or easements required to begin construction have been acquired;
- ✓ Request fully funds the project or a functional phase;
- ✓ Funding requested could not be secured through other sources;
- ✓ Entity has committed some local revenues to the project.

A Closer Look Regional Recreation Centers and Quality of Life Grants

A January 2024 *Policy Spotlight* on the new grant program for recreation and quality of life grants the Legislature created within the Department of Finance and Administration (DFA) found the program had been largely successful in funding projects that were on track for completion and, in many cases, represented long-standing community priorities that were otherwise difficult to finance. DFA established the in a short timeframe and generally followed best practices in prioritizing and funding projects. With $85 million in total appropriations, the agency made 98 awards to municipalities, counties, and tribes ranging from $36 thousand to $7.2 million. Awards covered 72 percent of the requested amount for funded projects, supporting $276 million in total project costs. In the program's first year, 88 percent of applications were from rural communities.

The report found completed projects shared common characteristics that supported their success: shovel-readiness, cost sharing, and local capacity to manage and execute projects. An inflatable water park in Deming, for example, was completed within a year of receiving a grant. The city's efforts to prepare for construction before securing state funding—by completing an environmental assessment, a business plan, and construction documents—supported the project's quick completion. Similarly, Curry County completed planning and design for a new event center and multipurpose livestock pavilion and was on track for a grand opening at the county fair in summer 2024. The renewed fairgrounds are key to the county and city's efforts to revitalize the southside of Clovis. The facility is intended to accommodate rodeos, livestock auctions and sales, concerts, wedding, home and garden shows, and more.

Rising Construction Costs

The cost of public construction rose dramatically in 2023, despite stabilization of the supply chain and materials costs. Multiple 2023 requests for construction funding to the Public School Capital Outlay Council (PSCOC) came in at twice the estimates made a year earlier. PSCOC approved construction funding for public schools in Des Moines and Mosquero with total project costs of $51 million and $46 million, respectively, or more than $1,000 per square foot. Each school was value-engineered to reduce costs and included few features above state adequacy standards. Similarly, higher education capital requests for the 2024 general obligation bond cycle reflected about a doubling of costs relative to the 2022 cycle.

Example 2025 Higher Education Capital Requests

Project	Total Project Cost Per Square Foot Estimated in Request
UNM Humanities & Social Sciences Complex	$1,540
ENMU Student Academic Services Building	$1,383
WNMU Early Childhood Development Center	$1,871

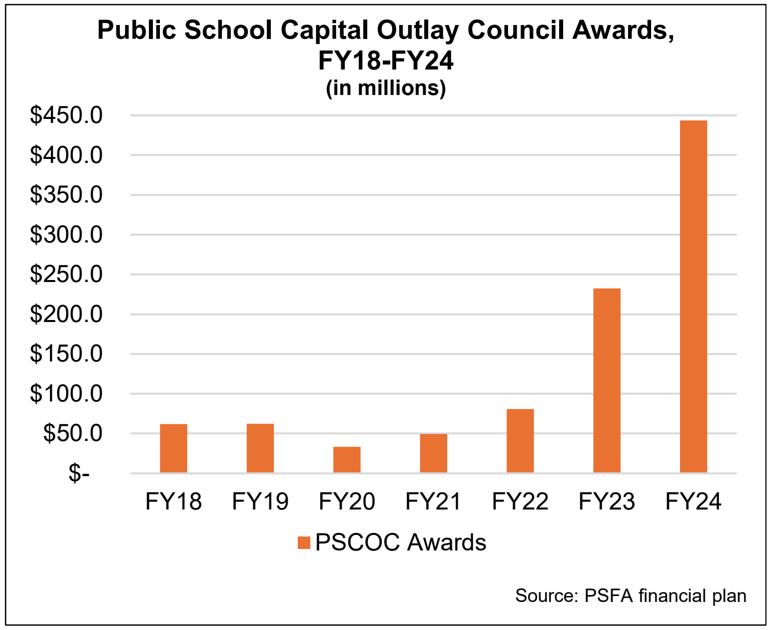
Source: HED

In 2024, costs leveled off—but at a historic high that challenges the state's ability to fund its many capital needs. The Public School Facilities Authority estimates school replacement projects on its schedule to cost between $600 and $1,200 per square foot, largely dependent on location. While this represents a significant increase over just a few years ago, costs are about on par with last year.

Capital requests for 2025 from colleges and universities indicate institutions anticipate a larger increase in costs than these trends would indicate, however. Some 2025 requests are more than 50 percent higher than the $1,000 per square foot average a year ago. Because these requests are not always based on advanced design, the cost estimates may have large margins of error. Design choices may also contribute to high costs, and neither the Legislature nor the Higher Education Department exercise much oversight over these choices.

Cost increases no longer appear to be driven primarily by spikes in material costs or supply chain disruptions. Instead, an extraordinarily busy construction market, a limited labor pool to meet demand, and other sources of uncertainty for contractors appear to be more significant factors. Increased state funding for capital projects is one source of the high demand, but the recent increase in private sector commercial construction has been even more significant, according to national data, with an 87 percent increase in private non-residential spending in New Mexico from 2021 to 2022—the third highest increase among all U.S. states.

In this environment, appropriating sufficient or realistic amounts to projects will be difficult unless they are well planned and at an advanced stage of design. Dollars appropriated to such projects—unless specifically intended to fund planning and design—may sit idle or require supplemental future appropriations.



Public School Capital Outlay

In December, 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.

In recent years, applications to the state's public school capital outlay fund had 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.

Construction Costs. In 2023, the council began to receive construction funding requests with steep increases in cost. Two elementary school replacement projects brought by Los Alamos Public Schools in the spring had roughly doubled in cost relative to estimates made just a year earlier for the same projects.

LFC and Legislative Education Study Committee analysis suggested the cost increases in New Mexico may be more significant than those occurring in other

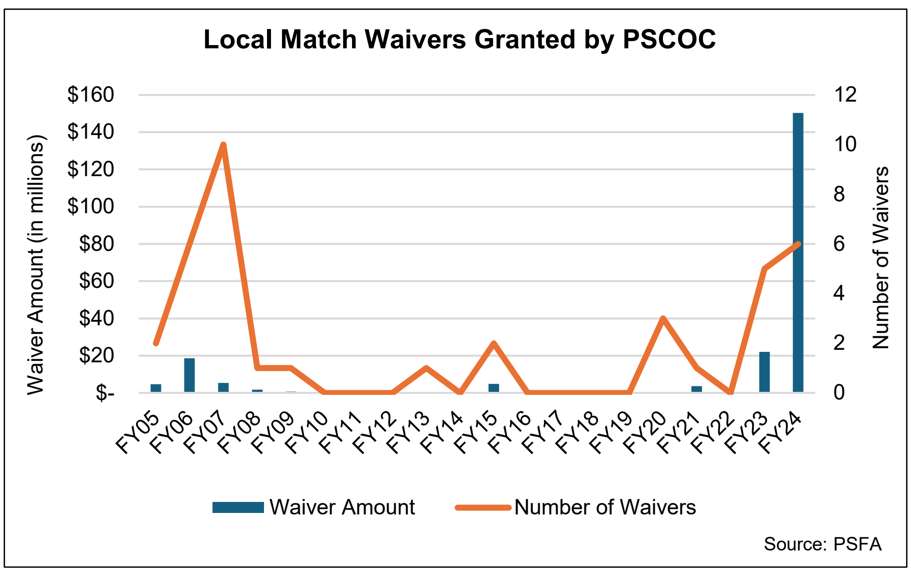
LFC Online: Understanding Government Finances

Finance Facts: Public School Capital Outlay

markets. The cost of public school construction in New Mexico closely followed the Coldwell Banker Richard Ellis cost index, for example, until 2023. Had costs in the state continued to track with the index, the cost per square foot for a new public school would have been around $437 this year. Instead, the first four school projects brought to the council in 2023 averaged $771 per square foot. As the year progressed, costs continued to increase for projects in some areas of the state. Public School Facilities Authority (PSFA) staff have suggested the problem is, in part, regional in nature, with projects in northern New Mexico coming with particularly high price tags due to limitations in contractor availability in surrounding areas and the remote location of projects like those in Des Moines and Mosquero. PSFA staff have revised the assumptions underlying the agency's financial plan multiple times to account for rising costs and have begun making estimates based on regional factors. Several projects that came to the council for funding at the end of 2023 in less remote locations did receive lower bids, with total project costs around $600 to $700 per square foot and more competition among contractors for projects closer to Albuquerque. In 2024, cost leveled out at a similar level to the end of previous year.

The increase in costs left many districts unable to afford even their reduced local matches, prompting an unprecedented number of waiver requests before the Public School Capital Outlay Council.

State-Local Match Formula. The increase in waivers is an indication the state and local match formula is not working as intended and prompted the Public School Capital Outlay Oversight Task Force to direct LFC, Legislative Education Study Committee and PSFA staff to analyze potential revisions to the formula. Staff analyzed three options: doing nothing, changing select formula factors known to be flawed, and changing waiver eligibility criteria while extending the across-the-board local match reductions to provide additional time for formula study.



Source: PSFA

The task force endorsed the third option at its November meeting. Changes to the waiver eligibility criteria and the extensions of the temporary local match reductions will require action by the Legislature. The task force concluded adjusting formula factors while the match reductions are still in place might represent an overcorrection and shift the cost burden of school replacement projects too much to the state. Additionally, staff analysis indicated adjusting certain factors did not always help the formula more accurately reflect districts' ability to pay and cautioned adjustments may be premature given only a preliminary understanding of the causes of such outliers.

School Conditions. New Mexico's school facility conditions have significantly improved since the Zuni lawsuit. PSCOC uses two indices to measure the condition of a school building—the facility condition index (FCI), a ratio of the cost of repair and improvement against the cost to replace the facility, and the weighted New Mexico condition index (wNMCI), an FCI score that includes additional weights for educational adequacy. For both, a lower number reflects a building in better condition. These indicies are used to rank projects for priority funding, and generally, PSCOC considers a building with an FCI greater than 60 percent a candidate for replacement rather than renovation and repair.

For more info:

Information Technology Projects Performance Page 165

The state's investment has improved the statewide average FCI from 70 percent in FY04 to 55.6 percent in FY24. Furthermore, the average wNMCI for all school districts improved from 40.5 percent in FY05 to 23.5 percent in FY22. Notably, more schools are leveraging tools provided by the Public School Facilities Authority (PSFA) to improve maintenance. PSFA's facility maintenance assessment report suggests most facilities are maintained at a level that will help systems reach their full expected building life.

In 2022 and 2023, the Legislature made large appropriations from the public school capital outlay fund and PSFA distributed the funds to districts via a formula. The funds were additional to those awarded though the council and could be used flexibly for priorities specified in statute, including maintenance. The distributions were prompted by high balances in the public school capital outlay fund and in recognition of the need to maintain equity in capital funding. Many districts have significant maintenance needs and the appropriations provided equitable state assistance for schools that do not yet qualify for replacement. The balance in the fund was $1.6 billion at the end of FY24.

General Fund IT Appropriations (in millions)

Source: LFC Files

Information Technology

DoIT oversees a number of technology initiatives, including broadband, cybersecurity, and information technology (IT) project management. Leadership changes and capacity challenges at DoIT have slowed expenditure of appropriated funds on a number of initiatives.

Broadband. Since the creation of the Office of Broadband Access and Expansion (OBAE) in 2021, the state has received over $1.3 billion in federal broadband awards, including $675.3 million from the Broadband, Access, and Deployment (BEAD) program through the National Telecommunications and Information Administration (NTIA) provided the largest, at $675.3 million. BEAD aims to expand high-speed internet access to unserved and underserved regions. When OBAE's initial BEAD proposal was approved in July 2024, 20 percent of BEAD funds were to be released to the state. About 16 percent of New Mexico was unserved or underserved at the time of BEAD approval, totaling over 142 thousand locations without high-speed internet access. To receive its remaining BEAD funds, New Mexico will have to submit a final proposal by mid-2025, including a detailed deployment plan, specific project lists, awardees, timelines, and cost estimates.

OBAE, which has until 2029 to fully expend the $675.3 million, estimates that connecting all unserved and underserved locations in the state could cost between $2.9 billion to $4.1 billion. While fiber remains the preferred solution, certain hard-to-reach rural and remote areas will likely require satellite connections.

OBAE's cost estimate assumes 40 percent aerial connections and 60 percent underground—or around 14,875 miles of fiber.

The **Connect New Mexico Fund** has awarded $40 million so far in FY25 to internet service providers, telephone cooperatives, pueblos, and a tribal company. The awards will be used in 16 counties, with 400 miles of fiber to be constructed. Since its creation, the Connect New Mexico Fund has received $254 million in state and federal funds.

OBAE funding has been significant, however, project implementation and realization of projects has been slow. With federal and state deadlines for expenditures approaching—including a June 2025 reversion date for $49 million, not including capital outlay—OBAE should prioritize expansion projects that can be deployed efficiently with current funding before seeking new appropriations.

Cybersecurity. Both the Legislature and the executive have taken steps to centralize and standardize cybersecurity initiatives across public institutions in the state. In 2023, the Legislature created the Office of Cybersecurity, which now operates as a standalone program attached to DoIT. The office currently provides cybersecurity services to executive agencies, counties, tribal entities, municipalities, higher education institutions, and public school districts.

Additionally, a 2024 executive order directed DoIT to conduct information technology and security assessments on executive agencies to detect vulnerabilities and support mitigation efforts as necessary. Agencies must comply with and adopt cybersecurity, information security, and privacy policies, standards, and procedures based on moderate-impact security standards issued by the National Institute of Standards and Technology. Centralization and the establishment of formal oversight mechanisms should improve the state's capacity to implement widespread security standards and programs.

IT Project Status Report Ratings, FY24 Q4
(in millions)

Agency & Project Name	Overall Rating	Project Cost	Appropriated	Spent
HCA's MMISR		$533.80	$369.50	$253.40
State Broadband Program		TBD	$268.00	$45.50
DoIT's P25		$170.00	$91.20	$85.80
HCA's CSESR		$109.20	$32.90	$15.20
CYFD's CCWIS		$82.00	$54.90	$36.30
HED's NMLDS		$14.10	$7.50	$3.30
DPS's RMS		$7.40	$7.40	$7.00
RLD's Accela Replacement		$16.50	$16.50	$16.40
NMCD's EHR		$8.60	$8.60	$4.30
DPS's ILP		$16.10	$5.60	$1.80
Totals		$957.70	$862.10	$469.00
% of Costs Funded		*90.02%*		

Source: LFC Analysis

Since 2018, DoIT has received $27 million in state funds, along with $11.5 million in federal funds for cybersecurity initiatives and has spent $12.2 million, or 45 percent of state funds. Three of DoIT's four special appropriations for cybersecurity have been reauthorized for time extensions. Two that were originally intended for cybersecurity for primary and higher education were repurposed in 2024 for software to provide cybersecurity and cyber vulnerability information for state agencies.

Project Management and Oversight. Sixteen agencies have asked for $175.3 million in general fund revenues for 36 IT projects in FY26, more than double FY25 requests. Twenty-seven requests are for new projects and nine would continue existing projects. Agencies are also requesting reauthorizations for outstanding projects experiencing cost increases.

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, which identifies 53 open projects totaling $1 billion. Project monitoring includes independent verification and validation (IV&V) performed by a third party but without standardized methods, compromising its accuracy.

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 structure. 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. EPMO modernization and IV&V standardization are critical to enhancing transparency and agency accountability. With numerous existing IT projects that are behind on schedule, the Legislature should consider encouraging agencies to complete existing projects prior to funding new projects.

Transportation Infrastructure

For more info:

Department of Transportation Performance
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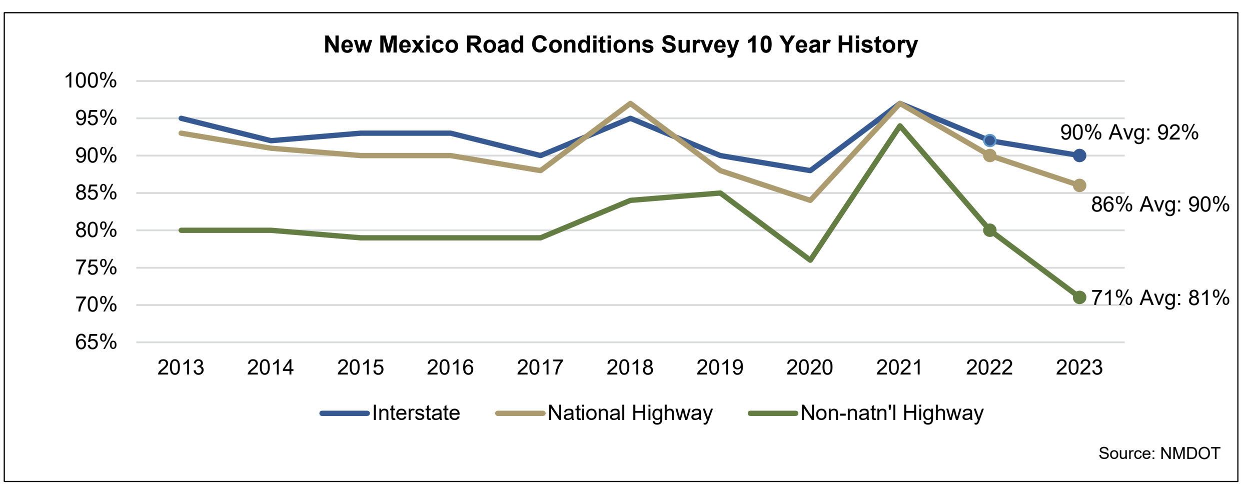
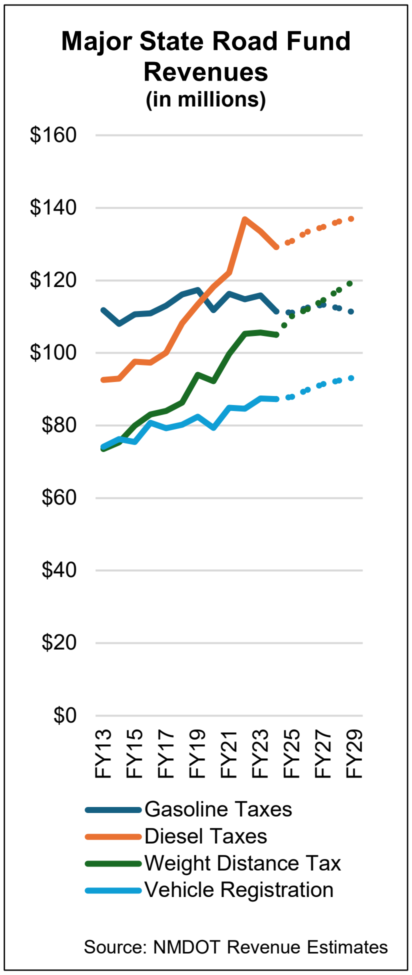
Data from the Department of Transportation (NMDOT) shows significant needs for New Mexico's transportation network. For 28 thousand highway lane-miles maintained by NMDOT, average road conditions fell in 2023, with the percentage of roads in fair or better condition falling to 92 percent for interstate highways, 86 percent for highways that are part of the national highway system, and 71 percent for state roads off of the national highway system. To maintain the state of New Mexico's roads, NMDOT conducts 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.

NMDOT continues to project negligible revenue growth for FY26, with tax earmarks into the state road fund projected to rise by $1.2 million, or 0.2 percent. Notably, the department projects gasoline taxes, once the road fund's largest revenue source, will shrink by $2.2 million, or 1.9 percent. Gasoline tax revenues peaked in FY21 at $116 million but have since fallen back to $112 million, which the department expects will continue as consumers shift to more fuel-efficient vehicles, including electric vehicles. 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 motor vehicles excise tax, which raises about $60 million per year.

Despite stagnating gasoline tax revenue, NMDOT's project schedule remains robust. NMDOT recently broke ground on a $240 million construction project on Interstate 25 in Albuquerque, which will continue through 2027. Across the state, NMDOT has 54 active road construction projects valued at more than $1.1 billion. In addition, NMDOT's one-year schedule of projects to be put out to bid lists 37 road construction projects valued at more than $880 million over the next year. This includes five projects partly funded by $320 million in severance tax bonds authorized by the Legislature in 2024. Since 2019, the Legislature has allocated more than $1.8 billion for transportation projects. As of October 2024, more than $650 million of those funds have yet to be put under contract.

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. Using federal data from 2022, the Insurance Institute of for Highway Safety reports fatal motor vehicle crashes resulting in 466 deaths, or 1.74 deaths per 100 million vehicle miles traveled versus a national average of 1.33 deaths. If traffic fatalities in New Mexico reflected the national average, more than 100 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 combine well-designed roadways with enforcement of safe driving speeds and emergency response systems that prevent fatalities in the event of a collision.

As New Mexico continues to look for new water sources, develop alternative energy sources, and adapt to a drier, hotter climate, lawmakers continue to invest in the state's natural resource agencies and support growth in the development of technologies that can accomplish its clean energy and water resiliency goals. Over the last five years, the Legislature has invested heavily in the Environment Department, the Energy, Minerals, and Natural Resources Department, and the Office of the State Engineer. Investments have been directed to recruitment and retention efforts, implementation of new laws, and bolstering of the state's environmental regulatory ability. With natural resource agencies budgets now at new highs, state and local leaders should prioritize protecting the state's water supply, supporting its energy grid, and increasing the state's capacity to respond to natural disasters.

For more info:

Energy, Minerals and Natural Resources Performance
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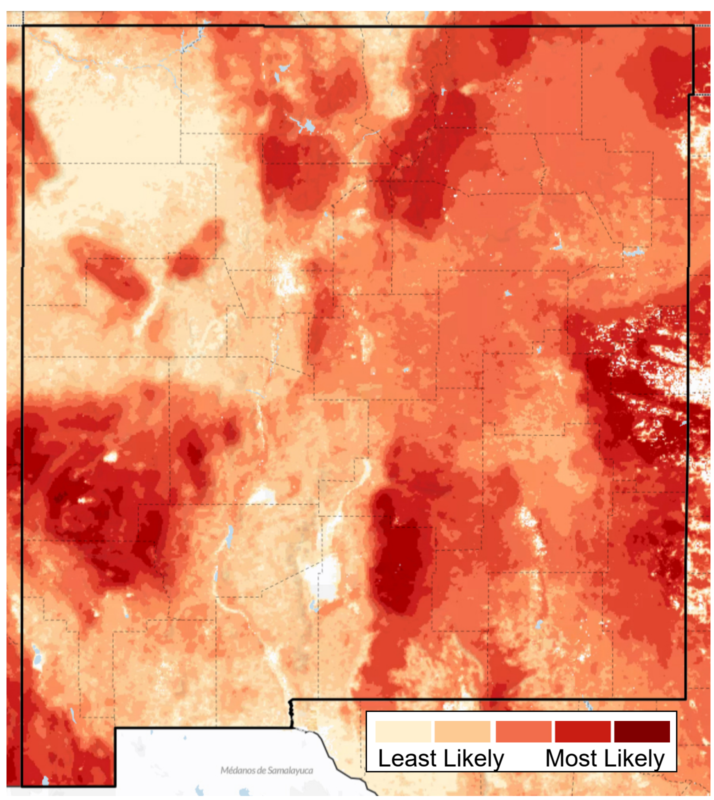
Wildfires and Disaster Recovery

In 2024, the state experienced several devasting wildfires, floods, and mudslides. The severity and frequency of these events is likely to increase as average temperatures increase and average precipitation drops. In concert, these trends result in drier forests, arid mountain sides, and, thus, larger, faster fires and terrain unable to stop flooding and mudslides. Further, declining precipitation levels and rising temperatures extend the time of wildfire season into the early spring and early winter months. This will mean higher costs to the state for prevention, response, and recovery.

The creation of two hotshot fire crews is a step in the right direction toward protecting New Mexico from wildfires, but, while New Mexico has bolstered its response to wildfires and disasters, more can be done in the realm of prevention, such as home hardening, watershed and forest management, and education programs to New Mexicans in high-risk fire areas on how to prepare and prevent wildfires.

Likelihood of Wildfire



Source: USDA Forest Service

Planning for the Future

The destruction that wildfires cause can take decades to reverse, from repairing homes and business to sustainably growing back the forests. New Mexico's investment in immediate response to wildfires should be paired with funding for expanded prevention efforts. Prevention can take the form of forest thinning, watershed maintenance, and prescribed burns. It can also take the form of population centers in high fire risk areas deploying home hardening techniques, such as clearing underbrush and trees near homes and businesses and building with flame retardant materials. More will need to be done to bolster the state's ability to prepare for wildfire, though efforts to create better funding mechanisms for wildfire response and prevention are underway.

LFC Online: Understanding Government Finances

[Finance Facts: State Land Trust]

High Cost of Recovery. In addition to the Legislature allocating a total of $100 million for various fire recovery efforts, Ruidoso also received $62 million, $12 million from the New Mexico match fund and $50 million from the Department of Agriculture's emergency watershed protection program specifically for recovery from the 2024 Salt and South Fork fires. These funds will go to infrastructure repairs, such as roads and bridges, and to addressing the damage caused by the wildfire and subsequent flooding. Funds have been awarded to the village of Ruidoso and the Mescalero Apache tribe and costs will grow. The cost of construction, stabilizing the forest and watershed, and labor are not static. Ensuring affected communities have the ability to access and then swiftly utilize funds is an essential tool to ensuring an effective recovery.

Hermit's Peak-Calf Canyon Recovery. The swift movement of funds has not been the reality with the 2022 Hermit's Peak-Calf canyon fire near Las Vegas. While the deadline for filing a claim related to the state's largest fire was extended to December 2024, only $1.4 billion of the roughly $4 billion has been awarded. A district court ruling has the potential to extend the deadline further and a recent case against Federal Emergency Management Agency could possibly expand the definition of what victims of Hermit's Peak-Calf Canyon can be compensated for from not just economic harm but also emotional harm. If expanded, hundreds of millions more of the $4 billion could be granted to victims. The slow rollout of compensation for victims of the state's most destructive wildfire demonstrates how essential it is, once funds are allocated, to ensure mechanisms are in place so victims and communities have access to funds as soon as possible.

Oil and Gas

New Mexico continues to see record levels of activity and state revenue from the oil and gas industry, as well as increased concern about the industry's impact on health and the environment. The regulatory agencies tasked with ensuring compliance have struggled to manage the increased workload: As production has ramped up, processing time and number of inspections have plateaued. This results in raised concerns about air and water quality in the state, in particular in the oil patch regions of southeast and northeast New Mexico.

Inspection and Enforcement. The Oil Conservation Division (OCD) is the primary entity responsible for oversight of the oil and gas industry, but the combination of increased industry activity, persistent inspector vacancies, and aggressive efforts to

Energy Transition

The Energy Transition Act (ETA) set a renewable energy standard of 50 percent by 2023 and 80 percent by 2040 for New Mexico investor-owned utilities and rural electric cooperatives. The law also established zero-carbon resource standards that investor-owned utilities must meet by 2045 and rural electric cooperatives must meet by 2050.

Further, New Mexico will receive $156 million in federal funding for solar projects from the U.S. Environmental Protection Agency's Solar for All program. The funding will be predominantly targeted at low-income households and the money will be overseen by the Energy, Minerals, and Natural Resources Department. The Solar for All program is also designed to help lower utility costs for low-income households and is projected to add 77 megawatts of solar capacity to the state's electric grid.

In addition to the federal funds, the Energy, Minerals, and Natural Resources Department (EMNRD) has reopened the Supplemental New Solar Market Tax Credit Program (SMTCP). Since the creation of the SMTCP, over 13 thousand New Mexicans have received solar tax credits, averaging $3,078. Further, EMNRD estimated that New Mexicans who install solar systems save an average of $1,624 per year in energy costs while adding 100 mega watts to the states solar power grid.

plug abandoned wells have slowed the pace of active well inspections. Regulatory changes regarding methane venting and flaring have also increased the burden on OCD. Legislative and executive priorities in recent years concentrated budget increases on cross-agency priorities, while OCD was encouraged to reduce its vacancy rate using existing resources. Now that the division is using a larger proportion of its personnel budget priorities' may need to shift to ensure the state's new emissions rules are being followed.

Buffer Zones

Oil and gas Setbacks (also referred to as "buffer zones" or "health zones") are required distances set by law between oil and natural gas development and homes, schools, healthcare facilities, environmental areas, and other kinds of human-populated buildings. While some local governments in oil and gas providing areas have setbacks, New Mexico, like Texas, currently has no statewide setback laws, although there have been unsuccessful attempts in the Legislature and more proposals are likely.

LFC economists estimated reduced production from proposed setbacks of 2,250 feet instituted on new production could cost the state's general fund, various permanent funds and capital outlay funds hundreds of millions of dollars within five years.

Orphaned Wells. The Energy, Minerals, and Natural Resources Department (EMNRD) successfully plugged 105 orphaned wells in FY24, using revenue from the oil reclamation fund and part of the $25 million in federal funding received through the Infrastructure Investment and Jobs Act (IIJA). Orphaned wells are abandoned oil rigs that can leak methane, damage groundwater reserves, and create sink holes. With over 2,000 orphaned wells identified in New Mexico, the agency's ability to increase the pace of well plugging is critical to protecting public health.

Air Quality

The proliferation of the oil and gas industry and fluctuating staff levels in the Air Quality Bureau (AQB), the Environment Department bureau tasked with permitting and regulating industries that emit air pollutants, has resulted in the need to process more permits and monitor more production centers. Due to this reality, AQB has had to contract out significant portions of its workload, and a backlog of permits has been created, which inhibits the ability of the bureau to monitor and regulate the industry. The growth of the oil and gas industry in the southeast and northwest sections of New Mexico has not been matched by an expanded AQB, resulting in an overworked and understaffed bureau tasked with monitoring the impact of nearly 73 thousand oil and gas wells has on the state's air quality.

LFC Online: Understanding Government Finances

Finance Facts: Oil and Natural Gas Production

In its annual network review, the Air Quality Bureau reported Eddy and Lea counties, the most productive oil and gas production regions, have some of the worst air quality in the state. Both counties were in the 95th-100th percentile of national levels for ozone and in the 95th-100th percentile of state levels for particulate matter. Both pollutants are linked to asthma, heart disease, and preterm births. Current research in the Permian Basin is being conducted to identify sources and locations of pollutants. Preliminary results show proximity to oil and gas production is likely the cause of higher pollutant levels in the region.

Efforts by AQB to increase permit costs and increase and tie the amount the oil and gas industry must pay by the projected amount of pollution it could emit are currently being discussed by the Environmental Improvement Board, but there is no timeline for consideration or implementation.

Alternative methods to improve regulation of the state's air quality have been taken, with NMED requesting the creation of a new division for compliance and enforcement of the agency. The division will cover all the department's regulatory compliance workload, including air quality regulation enforcement. This would make AQB predominantly a permitting bureau but could possibly help increase productivity in the bureau. While this could solve the permitting backlog and increase monitoring, it does not address air quality standards that continue to plummet in areas near oil and gas production. The state should look to increasing requirements on the industry to provide more data on levels of pollution and increase penalties on producers that do not follow current state laws.

Water Supply and Management

For more info:

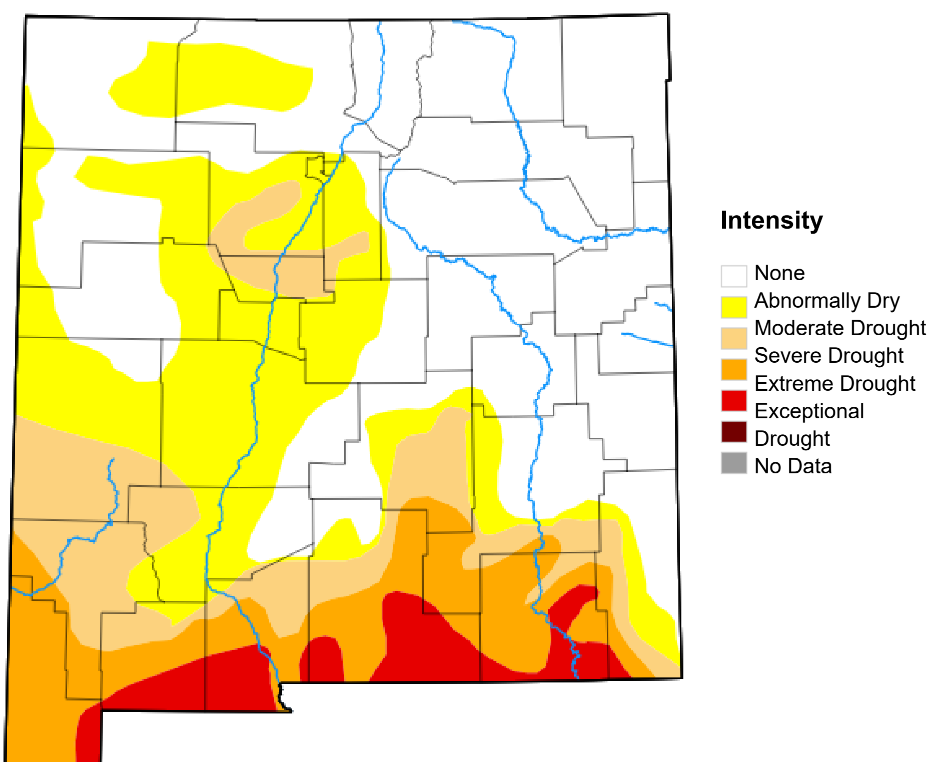
Environment Department Performance Page 147

Drought has persisted in the southwestern United States for more than 20 years and has been accompanied by hotter temperatures, which exacerbate arid conditions. Average temperatures in New Mexico are expected to increase by 5 to 7 degrees Fahrenheit over the next 50 years, on top of the 2 degree average temperature increase the state has experienced since 1970. As the state prepares for a future likely to be marked by increased aridity, state agencies and local governments must collaborate on solutions to both the infrastructure and workforce capacity challenges they currently face.

Multiple studies have concluded that New Mexico is projected to have 25 percent less water in 50 years. This reality has emboldened the Legislature, the executive, and the state's natural resource agency's to look for ways to protect and augment the state's dwindling water supply.

The New Mexico Bureau of Geology is working on a statewide map of the state's groundwater supply. The state currently does not have a complete understanding of its groundwater, resulting in a gap in knowledge on how much drinking water or brackish water the state has in its aquifers. The aquifer mapping program will install new groundwater wells that will enable the state to better monitor its groundwater levels, providing crucial information for the state as to the health of its groundwater supply.

Drought Map
December 2024



Source: U.S. Drought Monitor

Strategic Water Supply. The state's water supply could also be augmented through a strategic water supply (SWS), a part of the governor's 50-year water plan. The governor initially asked for $500 million in severance tax bond proceeds to invest in technology that can clean produced water (the effluent of oil and gas production), purchase water for community use, and create advanced market commitments to incentivize private companies to build desalination and produced water treatment facilities. The governor later reduced her request to $75 million, in addition to further changes to the initial SWS proposal like a produced water production tax and the creation of a fund to be used by the state's natural resource agencies. To accomplish the goals of the strategic water supply, the state's Produced Water Act would need to be changed, specifically the statute that currently restricts the use of produced water to oil production. The proposed rule changes to the Produced Water Act are before the Water Quality Control Commission (WQCC), with a tentative timeline for a ruling in April 2025.

Key to the strategic water supply, produced water has generated a great deal of interest over the past two years. 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. Some is even shipped to Texas for disposal. Cleaning produced water, removing the total dissolved solids (TDS) so that it can be used beyond the oil field, requires the removal of radioactive and toxic dissolved solids. Currently, there are no plans to clean produced water to drinking water level, which would require produced water to be clean to the drinking water requirement of total dissolved solids level of less than 500 parts per million. Typical produced water can have dissolved solids levels of 10 thousand to 30 thousand parts per million. The strategic water supply proposal calls for cleaning produced water for use in clean hydrogen energy production, heavy manufacturing, and other potential uses.

While New Mexico has desalination plants in southern New Mexico that could potentially clean brackish water for beneficial use, it does not have the existing infrastructure necessary to clean produced water. Produced water is unique to the area it is drilled from, resulting in each barrel of produced water having a unique dissolved solids structure. The cleaning of such unique water has not been attempted at scale in the country. Other states have varying rules on produced water use, but none have proposed cleaning and using it similar to the scale proposed by the Executive. Testimony before the Water Quality Control Commission indicated cleaning produced water for use in heavy manufacturing or in clean energy production like hydrogen would require a near complete knowledge of what exists in the produced water, a level of knowledge that is extremely difficult to accomplish.

Green Hydrogen

Hydrogen energy production, likely to be federally subsidized through the Inflation Reduction Act, has different means of production. Currently, the only hydrogen that will qualify for the federal subsidies is green hydrogen, which uses electricity from renewable energy sources and a process called proton exchange membranes (PEM) to separate water into hydrogen and oxygen.

Key to this process is ultrapure water, a level of water purity that has a total dissolved solids level the in nanograms per liter and some of the lowest conductivity levels possible. Cleaning water to this level, especially produced water from oil production, requires a degree of infrastructure that New Mexico currently does not possess.

A Closer Look State-Funded Water Projects

A program evaluation, published in summer 2024, highlighted that government entities across New Mexico are reporting $5.7 billion in future water and wastewater infrastructure needs. Although local governments are primarily responsible for providing safe and adequate water systems for their communities, the state allocates hundreds of millions of dollars from multiple funding sources to support water infrastructure.

The report also highlight that many New Mexico water systems are also having issues with basic operating practices, as shown by audit noncompliance and a lack of asset management plans, which limits access to funding and prevents effective long-term repairs and replacements. Despite these issues, new federal regulations addressing water contaminants will soon increase water systems' responsibilities. The report recommended that the Legislature should consider funding water infrastructure projects through the Water Trust Board, the colonias infrastructure fund, the tribal infrastructure fund, and the state revolving funds and to provide a one-time appropriation to the state water project fund to address the state's water infrastructure needs. The report also recommended that public water and wastewater systems set rates that would support economically sustainable operations.

Brackish Water. The state has large, but not fully understood, amounts of brackish water. Efforts by the New Mexico Bureau of Geologies aquifer mapping program will be able to provide the state with a better understanding of not only how much brackish water the state has, but also how salty it is. Brackish water is broadly classified as water that has a higher amount of salt than "fresh water." Brackish water has a salinity level of 0.05 percent to 3 percent, while fresh water has below 0.05 percent of salt.

Another part of the states 50-year water plan is to use brackish water to augment the state's water supply, which would require the water to be cleaned. Desalinating brackish water is not as complicated as cleaning produced water, because it typically does not contain as high a quantity of complex, at times radioactive, solids. Beneficial and industrial use of brackish water is also already established and possible in other parts of the country, though the necessary infrastructure to do so at a large scale in New Mexico does not. Notably, cleaned brackish water could be used to help meet the water delivery requirements of the state's multiple river compact compliance agreements.

For more info:
Office of the State Engineer Performance
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Water Quality

Despite record investments in water and wastewater infrastructure, the number of New Mexicans with access to drinking water that meets health standards has not increased. Many water and wastewater systems in municipalities, counties, water and sanitation districts, mutual domestics, and Indian tribes, nations and pueblos continue to struggle with meeting water quality standards. While more restrictive federal regulations have contributed to the inability of some water suppliers to meet quality standards, much of the struggle to improve access to quality water is due to lack of trained water professionals and competition for the few who exist. Efforts to incentivize utilities to form regional system have been only partially successful, and utilities continue to report issues with operation costs. Even with improvement in both the number of new projects and the amount of money invested in water and wastewater systems, the number of New Mexicans accessing healthy drinking water may not improve due to these roadblocks.

PFAS. High levels of PFAS have been found in dairy cows in southeast New Mexico, and the Environment Department has implemented a new PFAS blood testing program that gives people the opportunity to know what level of PFAS they have, information that could be used to hold PFAS polluters accountable. Currently, investigations on how multiple military bases in New Mexico have polluted their surrounding areas with PFAS are ongoing, with NMED and the Office of the Natural Resource Trustee (ONRT) working to provide assessments of how extensive the damage is and what it could cost to clean it up.

Water Regionalization. The Office of the State Engineer and the Interstate Stream Commission have finished the first phase of the Water Security Planning Act, which tasked the agency with designing a new water regionalization plan. The first phase, 16 different public listening sessions, will now be combined into an initial proposal. Once the proposal is published, more public comment will follow, and then rules and guidelines for the finalized proposal will begin. The timeline to adopt rules and guidelines is January 2025. Separate from Water Security Planning Act is the Regional Water Systems Resiliency Act, a 2025 act that outlines the steps for two or more public utilities to create a regional water utility authority, enables small water utilities (who generally service 500 customers of less) the ability to consolidate and pool their resources to utilize limited resources better. Implementation of Regional Water Systems act is still ongoing.

Texas v. New Mexico. The U.S. Supreme Court in summer 2024 rejected a multistate proposal to settle the lawsuit initiated by Texas against New Mexico regarding Rio Grande delivery requirements and groundwater pumping near Elephant Butte, Las Cruces, and El Paso. The ruling meant that another special master was designated for the case and further deliberation between Texas, Colorado, New Mexico, and the United States was needed to arrive at either a new settlement agreement or for the special master to effectively kick the case back to the Supreme Court. The Office of the State Engineer and the New Mexico Attorney General will continue to spend time and resources on the renavigation of the case.

The Office of the State Engineer estimates New Mexico likely will have to reduce overall annual depletions by 17 thousand to 18 thousand acre-feet of water. OSE believes this can be accomplished through a combination of measures to augment water supplies in the future, including more investment in water infrastructure, stormwater capture, water reuse, and voluntary conservation programs like the fallowing pilot, which pays farmers to leave thousands of acres of cropland idle to save irrigation water.

Since 2021, a total of $4.3 million has been paid to farmers to voluntarily fallow nearly 5,700 acres of land, with the remainder of the $7 million appropriated to the pilot used for administrative and legal costs.

State Employment and Compensation

For more info:

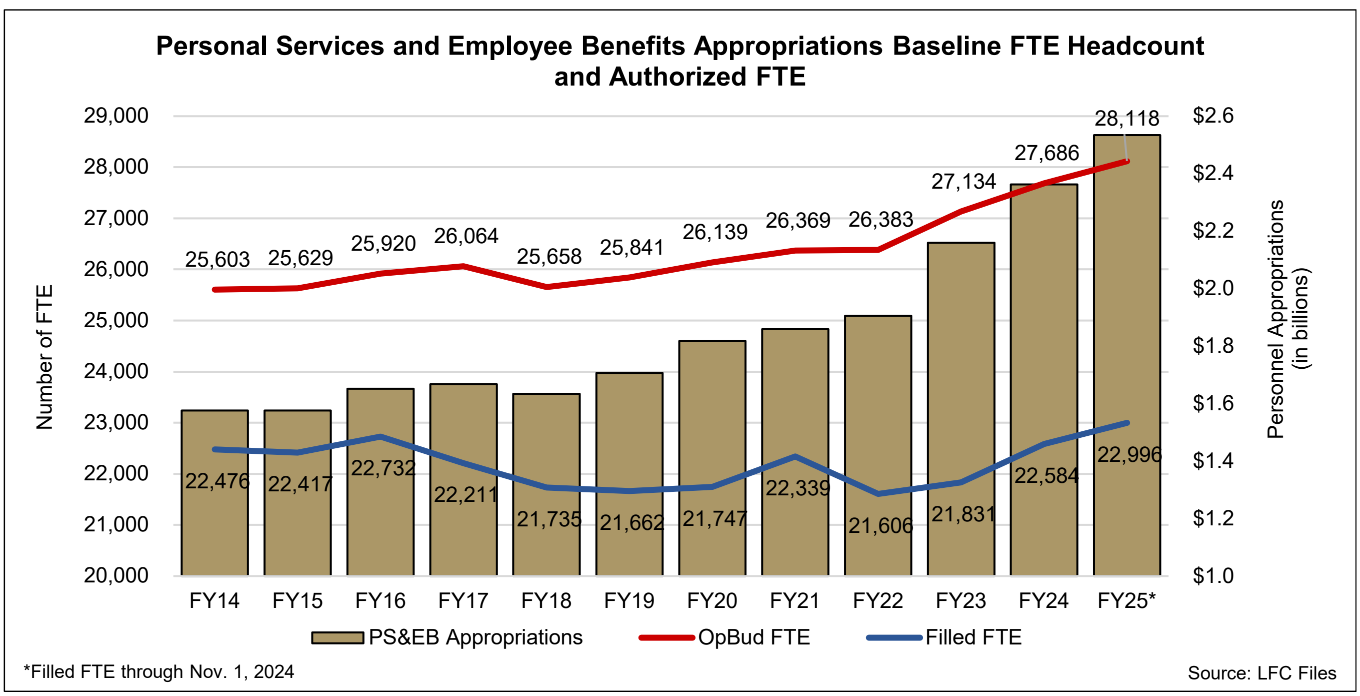
State Personnel Office Performance Page 159

State employee compensation represents one of the largest areas of the state budget, with more than $2.5 billion in appropriations in FY25. While in most years, many agencies have significant surpluses from unused personnel appropriations, salary increases and an uptick in recent hiring have limited these surpluses. Although raises appear to have made pay more competitive, agencies continue to request more targeted compensation to increase pay for state employees.

State Employment

While state agency headcounts have rebounded from recent lows, growth in total employment has remained relatively modest when compared with agencies' organizational charts. Between FY14 and FY24 average total employment, including temporary employees, grew by less than 1 percent. However, hiring near the end of FY24 and in the first months of FY25 has caused a significant increase, with current employment 2.3 percent higher than it was a decade ago. The number of positions on state agencies' organizational charts has grown even more, up by 10 percent, from 25.6 thousand in FY14 to 28.1 thousand in FY25. As a result, reported vacancy rates remain high and in many cases agencies do not have funds in their budget to hire employees for all positions they have created. Agencies should consider removing unfilled and unfunded positions from their organizational charts, providing a truer picture of the current state of public employment.

High turnover has exacerbated the problem of high vacancy rates. High turnover rates divert agency resources away from providing public services because agency staff turn their attention to filling vacant positions and training new employees. According to State Personnel Office (SPO) performance data, only 64 percent of new workers complete their one-year probationary period. In FY24, the state



hired 3,465 new workers. If recent turnover trends hold, more than 1,200 of those new workers will no longer be employed by the state by the end of FY25. If the state could raise the retention rate above 70 percent, the state would need to replace 200 fewer employees per year, leaving agency leadership more time to focus on services for New Mexicans, rather than hiring and training.

Employee Compensation

After years of minimal increases for state employees, recent appropriations for state employee compensation have made state employment more competitive in the broader market. Recent increases in appropriations for state employee compensation have allowed the Personnel Board to adjust state salary schedules and allowed agencies to pass along significant increases to employees, increasing both salary and benefits costs. Between 2018 and 2023, average state employee total compensation rose by 33.8 percent, according to annual compensation reports from SPO. Nationwide, total compensation for state and local government employees increased by 19.8 percent over the same period, while compensation for employees in the private sector increased by 26.6 percent.

For FY24, the Legislature approved a 6 percent salary increase for incumbent employees, including a 1 percent across-the-board increase for all employees and an average 5 percent increase that was flexible to allow agencies to address identified areas of need. However, state employees who remained employed in the same position throughout FY24 saw an average increase of 9.7 percent, or about $6,300 annually. Including employees who earned a new position, either by receiving a promotion or because of a position reclassification, the average increase was 12 percent, or about $7,700 per employee. Overall, the average salary of a state employee increased from $63,262 on July 1, 2023, to $69,405 on July 1, 2024. A combination of significant salary increases and increasing headcount has led to a reduction in agencies' vacancy savings and has led to a number of agencies to request budget increases for FY26 to meet existing pay obligations.

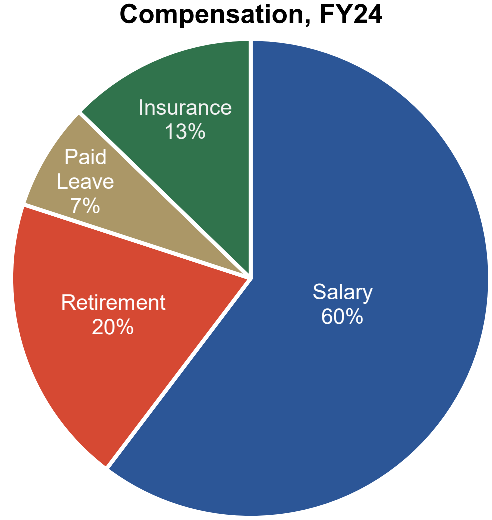
Concern over the competitiveness of state employee compensation was a major factor in the approval of a recent study of the state's system of classification and compensation. For many years, the state has used the Hay Method of job classification, which examines the knowledge and critical thinking skills needed to adequately perform the job and the responsibilities assigned to 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.

State Personnel Study: Human Resources Processes

A 2023-2024 third party study of the state's personnel system reviewed the effectiveness of the state's human resources (HR) processes and made recommendations for how the state could smooth the recruitment and hiring process. The study found the recruiting and hiring process was hindered by a lack of transparency and efficiency, with a process full of cumbersome requirements, bottlenecks in obtaining necessary approvals, and inconsistent communication between agency hiring managers, agency leadership, and the State Personnel Office. The study also noted the state's lack of modern systems. Features on the state's job advertisement platform are limited and inefficient, and hiring systems lack advanced tracking and automation capabilities. Notably, the study identified several processes that were based on an exchange of files through email, rather than relying on an advanced HR data system to process necessary approvals.

The study recommended the state consider implementing a HR data reporting and e-workflow technology system to ease bottlenecks in hiring. Revamping the state's current job posting portal to ease the application burden for prospective employees could also help expand the job pools for agencies looking to fill vacant positions.

State of New Mexico Total Compensation, FY24



Source: State Personnel Office

FY24 Turnover Rate for Agencies with More Than 200 Employees

Agency	Turnover Rate
AOC	14.5%
2nd Court	14.4%
Metro Court	19.5%
2nd DA	15.4%
LOPD	17.5%
TRD	13.9%
GSD	26.0%
RLD	23.0%
DCA	18.5%
DGF	14.8%
EMNRD	22.1%
OSE	10.2%
ECECD	23.9%
HCA	18.3%
DWS	22.6%
DVR	28.3%
DOH	24.1%
NMED	18.5%
CYFD	25.6%
NMCD	21.7%
DPS	11.9%
NMDOT	11.2%
PED	27.8%

Source: LFC Files

Note: Turnover includes employees hired in a "sponsored term" position, such as employees hired with Covid-19 relief funds for a set period of time. This analysis excludes temporary positions hired for less than one year.

Highest 5 Agencies
Lowest 5 Agencies

LFC Online: Understanding Government Finances

Finance Facts: State Employee Compensation

Overall, the study's findings show that, on average, recent pay increases have been successful at closing pay gaps. When compared with the government market, cash compensation for New Mexico employees was 10.3 percent above the government market, although cash compensation was 4.7 percent below the general industry market. Although cash compensation is below the general industry market, public employees, including those in New Mexico, typically receive a higher percentage of their compensation through employee benefits programs.

While most positions were paid above the government market some job classification benchmarked well above market and others well below. Additionally, the state's current classified pay system, featuring 12 separate salary schedules and 112 individual pay bands, is overly complex and difficult to administer. The study suggested a new, single salary schedule with 20 pay bands and suggested the state undergo a comprehensive job architecture study to ensure employees are correctly classified. Combined with a shift to market-based classification policies, the change would allow agencies more flexibility to match current pay with market-based expectations of potential employees.

Employee Benefits Programs

State government has traditionally offered a strong benefits package, representing about 40 percent of the cost of an employee, which includes health insurance and the post-employment benefits of a defined benefit pension plan with guaranteed monthly payments and retiree healthcare. Nationally, the U.S. Bureau of Labor Statistics estimates private sector workers receive 29.6 percent of their compensation through fringe benefits, while state and local government workers nationally receive 38 percent of their compensation from benefits costs. According to SPO, fringe benefits account for 39.7 percent of compensation for New Mexico state government employees.

Health insurance is a significant factor in both employee recruitment and retention, with almost half of employees surveyed by the Society for Human Resource Management responding that health benefits were part of the decision to take a new job and more than half saying health benefits were a key factor in staying at their current job. New Mexico pays at least 60 percent of insurance premiums, regardless of coverage levels, compared with a national average of 83 percent for single coverage and 73 percent for family coverage. Information on the impact of pension plans on recruitment is more mixed, with a 2017 Pew study finding that younger workers choose government jobs more for the immediate benefits than for retirement benefits.

Rapidly rising healthcare costs pose a significant challenge for the state, particularly for the Health Care Authority's (HCA's) State Employee Benefits Program, which continues to run a significant deficit to provide health insurance. Costs continue to increase, with the Public School Insurance Authority (NMPSIA) reporting an 8.2 percent medical cost increase for similar services in 2023 and a 29.7 percent increase prescription drug costs. HCA reports a projected 21 percent increase in expenses from FY24 to FY25, with a similarly high trend for prescription drugs.

The state continues to see an impact from a multiyear insurance rate increase holiday that left the group health benefits fund with significant deficits and made it difficult to raise revenue to cover healthcare costs. Despite a 10 percent rate increase for FY24 and FY25, HCA still estimates revenue into the health benefits fund will fall short of expenses by as much as $73 million. Additionally, steep increases in health costs for NMPSIA have depleted that agency's fund balance. Initially, the authority's board approved a 17 percent increase in health insurance, posing a significant challenge for school district and school employees' budgets. While the authority pulled back some of the rate increase, the agency submitted a special appropriation request to rebuild fund balance and compensate the authority for Covid-19 testing and treatment costs.

State Personnel Study: Employee Benefits

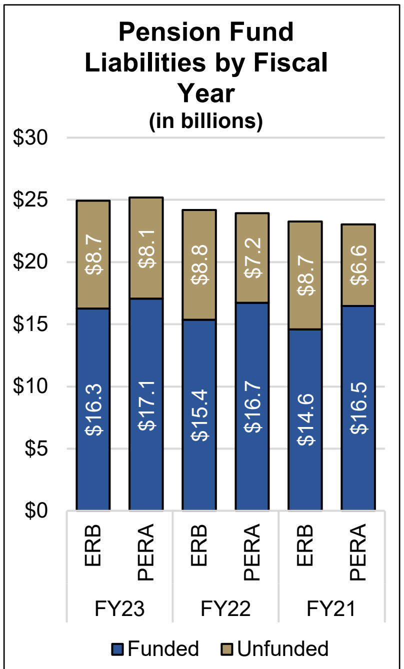
The recent study of the state's personnel system also considered the competitiveness of employee benefits programs. The study found current medical insurance offerings were more expensive than market averages, with higher deductibles and copayments. Notably, New Mexico offers a tiered benefits structure by salary, something uncommon in the broader market. Additionally, the state covers the same percentage of health insurance premiums, regardless of coverage level. Typically, employers more heavily subsidize single coverage, but pay a larger share of overall premiums than New Mexico's current plans.

Well-balanced leave policies have the potential to promote state employment longevity because employees report valuing the work-life balance state employment offers. For time off, New Mexico typically provides between 12 days and 22 days of annual leave and personal days per year, with longer-term employees earning more leave. In the broader market, lave averages between 15 days and 27 days based on broader market surveys. However, the state offers more sick leave: 13 days, compared to seven days in the broader market and one additional holiday. Overall, the longest term employees in New Mexico accrue 46 days of leave per year, versus 44 days in the broader market, but the state's leave is more restricted by offering more sick leave and paid holidays. The study noted many employers have shifted to paid time off in lieu of providing separate vacation, personal, and sick leave. However, a shift away from separate forms of leave could have significant financial impacts on the state through higher leave payouts.

Post-Employment Benefits

For the past several years, the Legislature has sought to stabilize the state's pension funds, managed by the Public Employees Retirement Association (PERA) and the Educational Retirement Board (ERB), 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. Challenging investment markets have limited investment gains in recent years, although the plans continue to earn more than their selected benchmarks.

Public Employees Retirement Association. 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. At the time that bill passed, retirees had for many years benefited from annual COLAs that exceeded the amount provided by Social Security, with the previous law authorizing a 2 percent compounding COLA, regardless of inflation. Social Security's COLA is tied to inflation and in the decade preceding this legislation was often less than 1 percent. Legislation shifted the fund to a risk-sharing model, where annual adjustments are based on a combination of investment returns and funding status. While the reforms would have moderated COLAs during the previous high-return, low-inflation environment, the economic headwinds that pushed down invested assets occurred while inflation was at record high levels. For FY23 and FY24, PERA retirees received the minimum COLA authorized under the law, 0.5 percent. To improve member COLAs, PERA will need to focus on improving investment returns. Currently, PERA's long-term returns are in the bottom half of public pension funds valued at over $1 billion, with a five-year return of 6.4 percent and a 10-year return of 5.8 percent; 75 percent of public funds reported higher returns over the long term. While more recent returns have improved, the agency will need to improve returns over the long term for the risk-sharing COLA to increase.



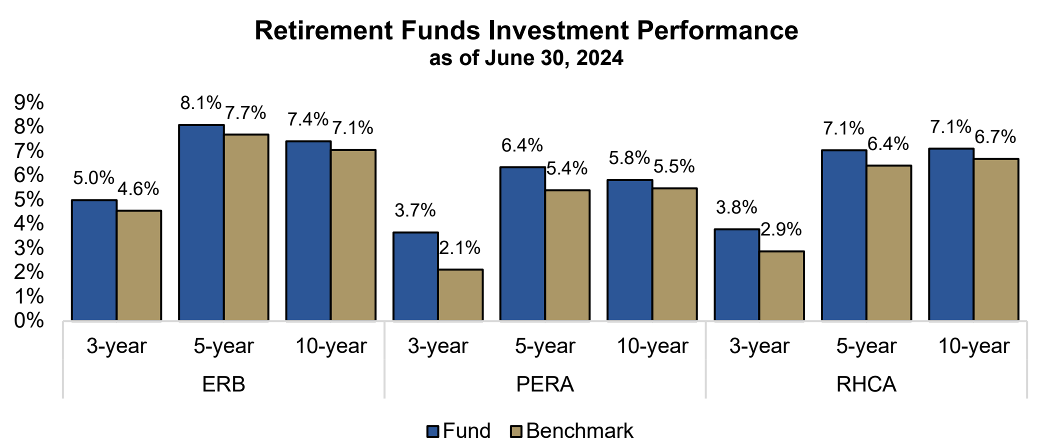
Source: PERA and ERB

Educational Retirement Board. Recent legislation to improve the stability of the educational retirement fund has placed the fund on a sustainable path. Additionally, over the long term, the fund has consistently outperformed other public funds, earning among the best returns in the nation, performing in the top 20 percent of funds over the five-year and 10-year period. Over the long term, the fund consistently beats its target of 7 percent investment returns.

Legislation passed in 2021 and 2022 phased in a 4 percentage point increase in employer contributions to the fund. Prior to legislation to increase the employer contribution, ERB's actuaries estimated the fund would never have sufficient funds to pay off the unfunded liability. As of June 20, 2023, the trust fund held $16.3 billion, based on the actuarial estimate, or 62.9 percent of the funds needed to pay all promised benefits. Actuaries currently estimate the fund will eliminate any unfunded liability in 26 years.

Retiree Healthcare. In addition to pension benefits, public employees are eligible for subsidized healthcare coverage in retirement. The plan, which receives mandatory contributions from employees and employers equal to 3 percent of salary, has significantly improved its funded status in recent years, from as low as 5.8 percent to a high of 44.2 percent in FY23. Unlike New Mexico, many states fund retiree healthcare programs on a pay-as-you-go basis, meaning the plan does not set aside funding designed to pay off future liabilities. As a result, New Mexico has, despite an estimated $1.7 billion in unfunded liabilities, one of the better funded plans in the country.

Over the long term, projections from the Retiree Health Care Authority show growing fund balances, with the fund growing from its current $1.4 billion to $18.3 billion by FY55. However, this growth is largely due to significant diversions to the retiree health care fund from personal income tax collections that would otherwise be paid into the general fund. Under current law, those distributions grow by 12 percent per year and are currently $51.8 million per year. By FY55 distributions will grow to more than $1.7 billion per year. LFC economists estimate, by FY29, the transfer to the retiree health care fund will be in the top 10 of all tax expenditures and, if this exponential growth is allowed to continue, will overtake all personal income tax collections by FY76. Due to the long-term unsustainability of transfers into the retiree health care fund, the authority has prioritized improving its long-term solvency.



Performance

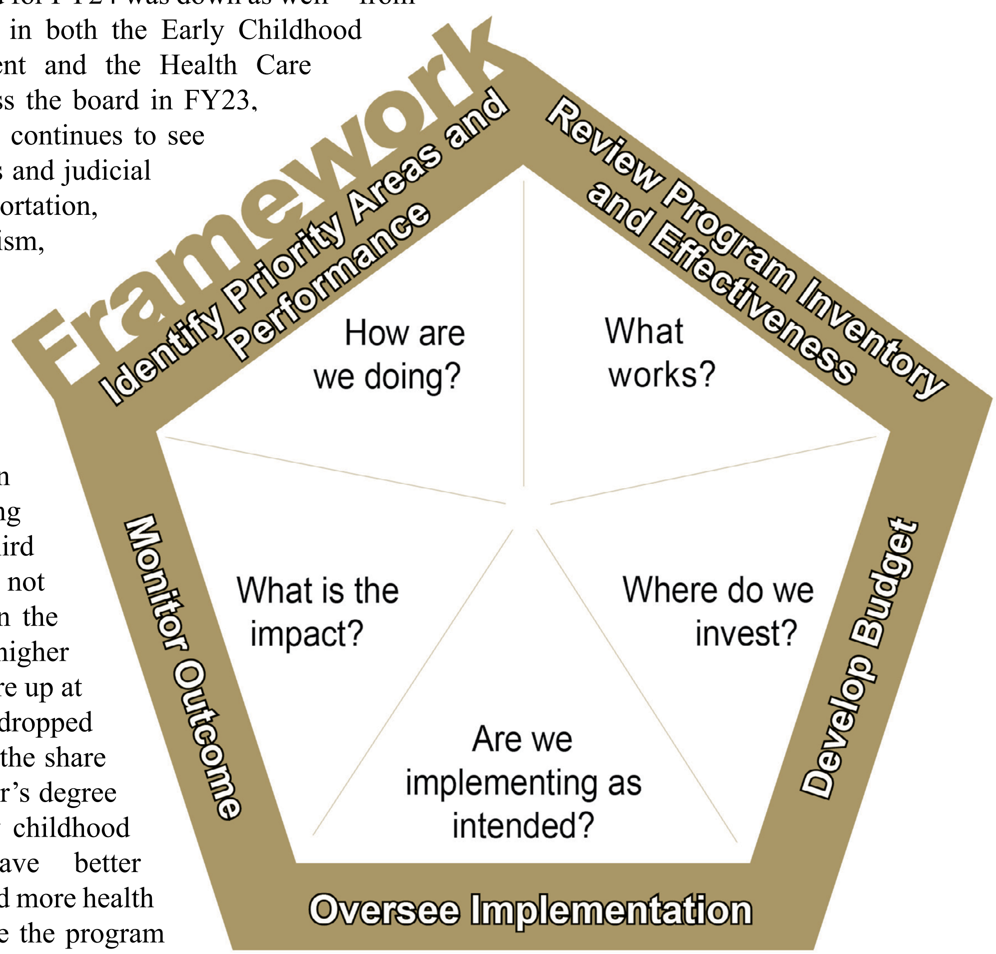
Accountability in Government

LFC's Legislating for Results framework has emerged as a national model, highlighted by good government groups and studied by other states. In 2023 and 2024, 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 framework tools and for its growing commitment to those practices. Topics in the LegisStat process, a component of the framework that allows the committee to focus on the performance of a specific program and collaborate with agency leadership on strategies for improvement, were expanded to transportation, while discussions continued on public school test results, healthcare access, early childhood supports, child maltreatment, and economic recovery metrics. Report cards, the foundation of the framework, remained a critical source of information for assessing agency effectiveness; however, performance measures are established in a cooperative effort with the executive, which limits legislative control over their development and sometimes results in insubstantial measures.

Report Cards

The year-end performance report for FY24 showed weaknesses in many critical social services, and nine programs had lower ratings than a year ago. Further, the total number of programs rated green was down from 28 a year ago to 23. However, the number of programs rated red for FY24 was down as well—from 12 to seven—and performance in both the Early Childhood Education and Care Department and the Health Care Authority, which had reds across the board in FY23, showed improvement. 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 the agency falling short of targets, often despite substantial investment, suggest implementation is an issue. While public school reading scores improved for the third straight year, math scores have not budged. New Mexico is third in the nation in per-student funding of higher education and graduation rates are up at every school, but the state has dropped to the bottom 10 nationwide on the share of the population with a bachelor's degree or higher. Children in the early childhood Home Visiting Program have better interactions with their parents and more health visits, but few families complete the program



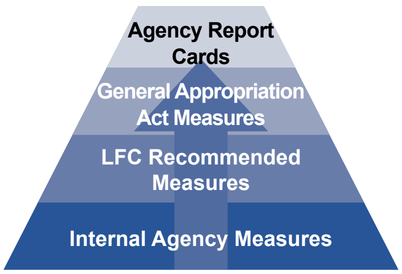
Accountability in Government Act

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.

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. 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 issues with transparency and accountability.

Performance Measure Hierarchy



LegisStat

The Transportation Department was added to the LegisStat process in FY24, while work continued on child welfare, public school student achievement, workforce development, healthcare access, and early childhood home visiting. Efforts to improve performance, particularly in child maltreatment prevention and the Medicaid provider expansion, have been slow and often elusive.

LegisStat hearings on repeat child maltreatment highlighted the need for the state to invest more heavily in prevention and early intervention with vulnerable families, and in FY24 the Legislature increased the Protective Services budget by 14 percent, appropriated an additional $16 million to fund various evidence-based prevention and intervention services, and allocated $7.6 million to match federal funds available for strong evidence-based approaches. However, the Children, Youth and Families Department has largely not implemented evidence-based programs and has failed to submit a revised Family First Prevention Services Act plan to the federal government that would qualify the state for federal funds.

The Legislature during the 2024 legislative session provided significant funding for hospital subsidies, hospital rate adjustments, grants to hospitals for service expansion, and other hospital grants in an effort to improve access to healthcare but the Health Care Authority has so far failed to provide claims data and other data LFC staff need to assess impact. While investment is important, other barriers exist, and Medicaid enrollees still have trouble making appointments. With nearly half the state enrolled, Medicaid is the greatest lever available to the state to improve the health of New Mexicans.

LFC Online: Understanding Government Finances

Finance Facts: Accountability in Government Act

Evidence-Based Program Inventories

The 2024 survey of evidence-based programs in selected agencies 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 Healthcare Authority, have trouble classifying large portions of their spending. 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 the different programs being implemented by the agency and to what degree those programs are backed by evidence. The act also provides consistent definitions for evidence-based, research-based, and promising programs. The information required by the act provides legislative and executive staff a better understanding of what programs New Mexico is funding and to what degree those programs have evidence behind them.

The FY24 survey looked at six divisions in five separate agencies, representing $188 million in spending, and found about 67 percent, or $125 million, was categorized as evidence- or research- based.

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.

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
FY23 vs. FY24

Department/Program	FY23	FY24	
Early Childhood Education and Care Department			
Family Support and Intervention	R	Y	↑
Early Education, Care, Nutrition, and PreK	R	Y	↑
Policy, Research, and Quality	R	G	↑
Children, Youth and Families Department			
Protective Services	R	R	
Juvenile Justice Services	R	Y	↑
Behavioral Health Services	Y	Y	
Public Education Department			
Department Operations	R	Y	↑
Department of Health			
Public Health	R	Y	↑
Epidemiology and Response	R	R	
Scientific Laboratory	G	Y	↓
Facilities Management	Y	Y	
Developmental Disabilities Support	Y	Y	
Health Certification Licensing and Oversigh	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	R	Y	↑
Income Support	R	R	
Child Support Enforcement	R	Y	↑
Behavioral Health Collaborative			
Behavioral Health	R	Y	↑
Courts and Justice			
Administrative Support	Y	G	↑
Special Court Services	Y	G	↑
District Attorneys	G	G	
Public Defender	G	G	
Department of Public Safety			
Law Enforcement	G	G	
Statewide Law Enforcement Support	G	Y	↓
Corrections Department			
Inmate Management and Control	Y	Y	
Reentry	G	Y	↓
Community Offender Management	Y	Y	
Energy, Minerals and Natural Resources			
Energy Conservation and Management	G	G	
Healthy Forests	Y	Y	
State Parks	G	G	
Mining and Minerals	G	G	
Oil Conservation	Y	G	↑

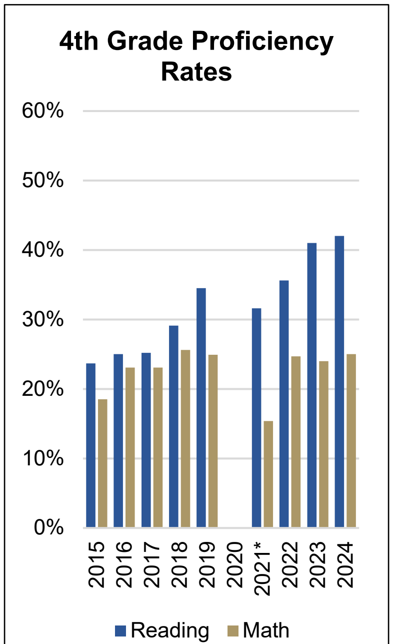
Department/Program	FY23	FY24	
State Engineer			
Water Resource Allocation	G	Y	↓
Interstate Stream Commission	Y	G	↑
Litigation and Adjudication	G	G	
Environment Department			
Water Protection	Y	Y	
Environmental Protection	R	Y	↑
Environmental Health	R	Y	↑
Resource Protection	R	Y	↑
Economic Development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

Programs with a Rating Upgrade	20	
Programs with a Rating Downgrade	9	
		FY23
Total FY24 Green Ratings	23	28
Total FY24 Yellow Ratings	37	29
Total FY24 Red Ratings	7	12

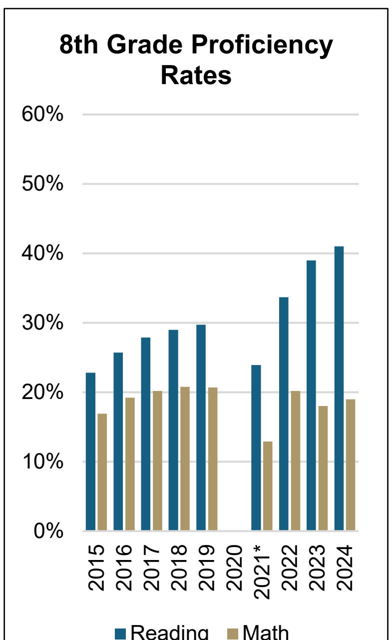
Public Education

ACTION PLAN

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



*Not a representative sample; change from PARCC to MSSA test in 2021
Source: PED



*Not a representative sample; change from PARCC to MSSA test in 2021
Source: PED

Preliminary statewide scores from the Public Education Department (PED) for the 2023-2024 school year and corrections to previously reported assessment data now suggests students have improved in reading for a third consecutive year under the new Measures of Student Success and Achievement (MSSA) statewide assessment. Math performance continues to stagnate. High school graduation rates have stalled; however, graduation rates for Native American students, students with disabilities, and English learners have grown more rapidly over the last few years—narrowing the gap between them and their peers.

As fourth and eighth graders take the National Assessment of Educational Progress (NAEP) in winter 2024, the state should compare whether changes in NAEP results from 2022 are aligned with recent trends in the MSSA test. NAEP scores will affect New Mexico's national education ranking, and any alignment with MSSA results will help the state benchmark progress reliably—particularly in light of the transition away from the PARCC test and disruptions caused by the Covid-19 pandemic.

Student Outcomes

Reading and Math. Fourth and eighth grade reading scores appear to be improving, and math scores are flat. PED notes reading proficiency rates across most grade levels have grown for a third consecutive year, while changes in math proficiency rates vary by grade level. Of particular concern are noticeable dips in reading performance for second and third graders—likely due to lost learning time during their first years of schooling. Additionally, math proficiency rates show improvement, reaching up to 30 percent until sixth grade before plummeting to 11 percent in 11th grade. This trend has remained consistent for the last three years, indicating a more systemic issue is driving the decline in secondary math scores.

Despite improvements in reading scores over time, the achievement gap between at-risk students identified in the *Martinez-Yazzie* education sufficiency lawsuit and their peers remains nearly identical to the gap prior to the pandemic. These gaps also remain the same on math scores. While research shows additional learning time through prekindergarten programs and extended school years can help close this gap, the state's attempts to incentivize or mandate more time have resulted in uneven extensions of instructional time statewide. To date, the agency reports 61 percent of submitted FY25 calendars have at least 180 classroom days for students.

Budget: $4,126,185.9 **FTE:** N/A

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Reading proficiency (4th grade)	35.6%	41%	37%	42%	G
Math proficiency (4th grade)	24.7%	24%	37%	25%	R
Reading proficiency (8th grade)	33.7%	39%	37%	41%	G
Math proficiency (8th grade)	20.2%	18%	37%	19%	R
High school graduation rate (4 year)†	76.2%	76.7%	80%	76.7%	R
College remediation rate	31.4%	38.4%	<30%	40%	R

Budget: $4,126,185.9 **FTE:** N/A

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Chronic absenteeism (elementary)	38%	37.7%	<10%	34%	R
Chronic absenteeism (middle)	42%	41.2%	<10%	28%	R
Chronic absenteeism (high)	43%	42.9%	<10%	31%	R
Students exiting English learner status (elementary)	0.03%	3.9%	10%	4.5%	R
Students exiting English learner status (middle)	3.8%	1.4%	10%	3.1%	R
Students exiting English learner status (high)	0.04%	2.3%	10%	3.4%	R
Teacher vacancies	1,048	690	N/A*	751	R
Share of at-risk funds spent on at-risk services	93%	24.2%	N/A*	83%	Y
Classroom spending in large districts	73%	72.1%	N/A*	72%	Y
Program Rating	Y	R			R

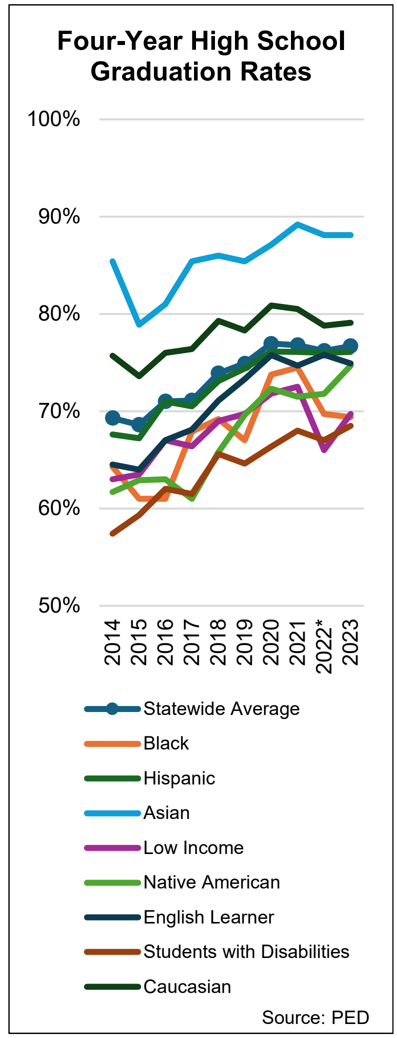
†Preliminary figures. Final counts will be finalized in May 2025.

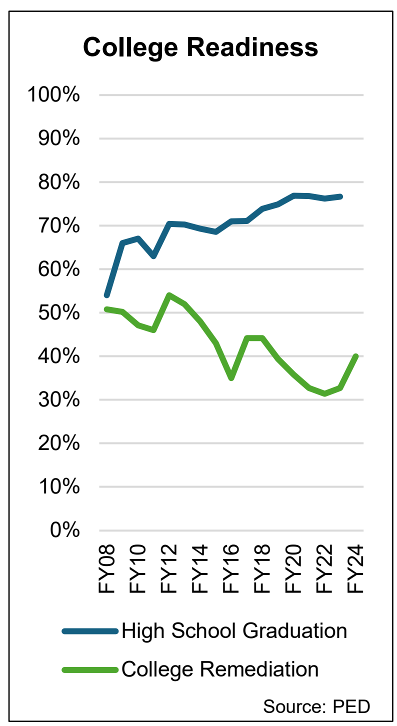
Graduation and Postsecondary Success. New Mexico's high school graduation rate for the class of 2023 was 76.7 percent, up slightly from 76.2 percent in 2022. While overall graduation rates have flatlined since 2020, Native American students, English learners, and students with disabilities have improved their graduation rates in recent years, closing the gap between them and their peers. The U.S. high school graduation rate in 2022 was 87 percent. To reach the national graduation rate in 2022, New Mexico would have needed to graduate another 2,344 students. Broken down further, most high schools across the state would only need to graduate about 20 additional students to meet the national rate.

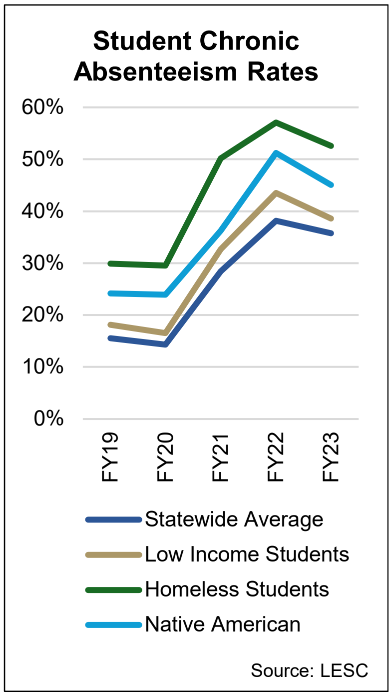
College remediation rates appear to be rising postpandemic but have generally declined over the past decade. The recent remediation spike coincides with sustained graduation rates and low proficiencies in reading and math tests, suggesting a significant number of high school graduates are still not ready 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. The percentage of students missing time in school continues to be alarmingly high postpandemic. Statewide chronic absenteeism rates, or the percentage of students missing 10 percent or more of school days, for FY24 was 32.8 percent, a 6.4 percentage point improvement from the prior year. A 2024 LFC evaluation on student attendance found chronically absent students were 13 percent less likely to be academically proficient and third graders missing 10 percent or more of school days were 18 percent less likely to graduate on time with their peers.

New Mexico school personnel identified illness, parent decisions, and lack of student engagement as the primary reasons for student chronic absenteeism, in line with national research. Regardless of the reason for absence, chronic absenteeism in early grades hampers later academic success and affects the pacing of instruction for all students. The evaluation also found schools were not tracking attendance consistently, due to different attendance=taking methods







and likely undercounting the number of absences. At-risk students, particularly Native American and housing insecure subgroups, reported the highest chronic absenteeism rates.

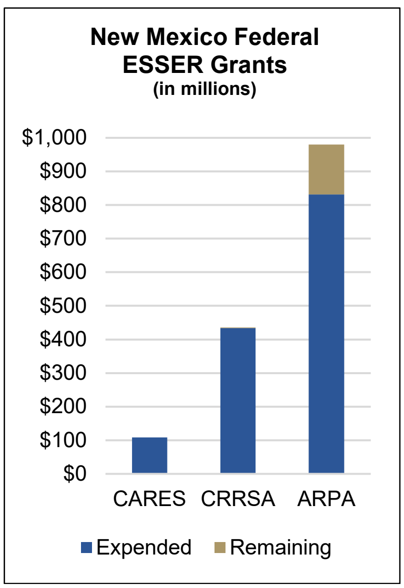
Public Education Department

In FY24, PED hired 35 FTE, decreasing its vacancy rate from 23 percent at the beginning of the year to 13 percent. The department continues to hire more staff to date but in August 2024 saw the resignation of its secretary, making this the fourth change in secretaries at the agency in the last five years. Despite rapid increases in staffing at the department and fiscal bureaus, the agency continues to fall short on several key performance measures—notably the average days to process reimbursements. PED has hired more staff, including a second deputy director, to support the workload in its fiscal divisions for FY25. The expiration of federal pandemic funding in September 2024 may also alleviate the number of reimbursement requests moving forward.

Budget: $22,589.0 **FTE:** 354.0

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Average days to process reimbursements	37	38	22	35	R
Average days to process budget adjustments	8	7.2	10	7.8	G
Data validation audits of funding formula	24	12	30	30	G
Students with access to high-speed Internet	91%	60%	100%	79.8%	R
Students with access to a digital device	91%	84%	100%	89.7%	R
Program Rating	R	R			Y

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



Federal and State Resources. Of the $1.5 billion from three rounds of federal pandemic funding, New Mexico has spent about 90 percent of the total aid package, including fully expending the first two rounds of awards and nearly 85 percent of the third round authorized through the American Rescue Plan Act (ARPA). School districts and charter schools spent $832 million of ARPA dollars by the September 30, 2024, spending deadline, meaning nearly $150 million was left for liquidation. PED must request an extension of the liquidation deadline on behalf of all schools if the state needs an additional 14 months to spend down any ARPA funds. The agency indicated plans to request an extension for the liquidation period.

In addition to pandemic aid, school districts and charter schools continued to grow unrestricted cash reserves, carrying over balances of $656 million from FY24. Statewide cash balances grew by $33 million, or 5 percent, from the prior year and continue to represent 17 percent of program costs.

LegisStat Agency

PED participates in LFC's LegisStat panel, a hearing format hyper focused on performance metrics and agency action plans. This year's LegisStat focused on the agency's efforts to improve student reading and math achievement, attendance, and high school graduation.

Office of Special Education. PED reports nearly all students evaluated to identify special needs were assessed using child find during FY23. Pertaining to preschool children, 73 percent showed improved positive social-emotional functioning, improved acquisition and use of knowledge and skills functioning, and improved use of appropriate behaviors to meet their needs. The agency noted more students with disabilities are in regular classrooms with their peers for at least 80 percent of the day.

New Mexico has long recognized the importance of higher education in improving incomes for residents and spurring innovation and growth in the economy and has made significant investments in higher education funding. The state became a national leader in providing affordable college tuition with enactment of the legislative lottery scholarship in 1996 and again led the nation in providing tuition-free college with the creation of the opportunity scholarship in 2022.

The increasing enrollment trend that started in 2022 –a reversal of a decade-long decline–is encouraging because New Mexico has fallen behind other states in the proportion of the population holding a bachelor's degree or higher. 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 41st in the nation by 2022. In 2006, 25.3 percent of the population had a bachelor's degree or higher, while that proportion increased to 30.5 percent in 2022.

Notably, New Mexico leads the nation in associate degrees, certificates, and certifications, but still lags the nation significantly in overall post-secondary degree holders. Crucially, younger New Mexicans are less likely to have postsecondary education than the working-age population as a whole. Fifty-one percent of New Mexicans age 25-64 have postsecondary education compared with 54 percent nationally. However, only 49 percent of New Mexicans age 25-34 have postsecondary education versus 56 percent nationwide.

	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%**

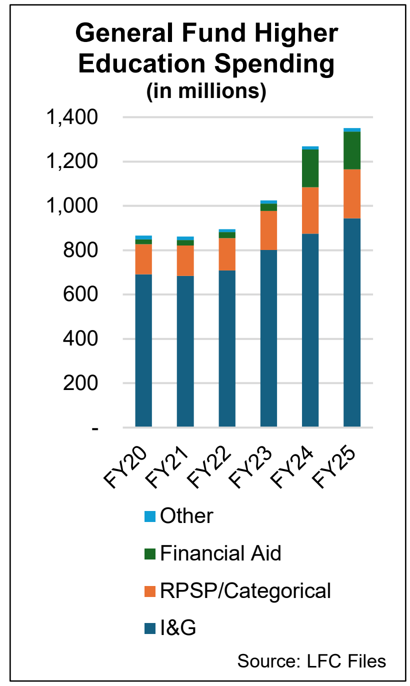
Source: Lumina

Graduation and Retention

Graduation rates at four-year New Mexico higher education institutions significantly lag the nation, with 47 percent of students graduating within six years of beginning a bachelor's degree program compared with a national graduation rate of 59 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 71 percent of first-time, full-time students are retained to the second year, 10 percent less than the national average of 81 percent. The 2022 retention rate is higher than it was during the pandemic, but it is nearly exactly even with the 2018 rate.

ACTION PLAN

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



Six-Year Graduation Rates

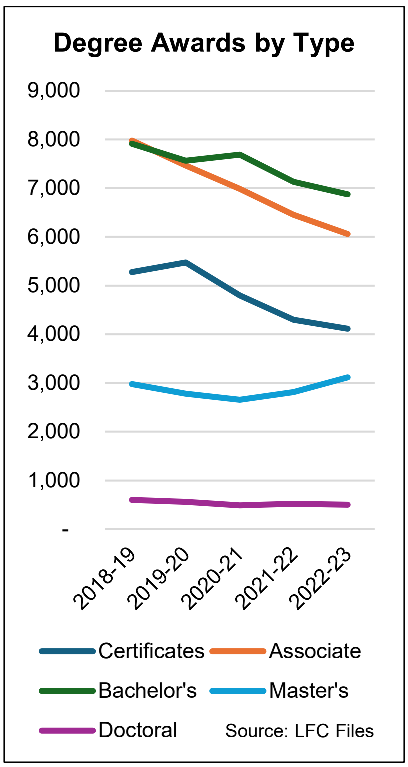
Institution	2013	2022
ENMU	28.8%	41.3%
NMHU	18.4%	25.5%
NM Tech	44.2%	55.0%
NMSU	43.3%	50.9%
Northern	15.1%	39.6%
UNM	48.3%	51.7%
WNMU	17.0%	31.1%
N.M. Average	**41.2%**	**47.1%**
U.S. Average	**55.0%**	**58.9%**

Source: IPEDS

Full-Time Retention Rates

	2018	2022
ENMU	62%	62%
NMHU	52%	63%
NM Tech	76%	75%
NMSU	74%	72%
Northern	41%	53%
UNM	74%	72%
WNMU	64%	62%
U.S. Average	**81%**	**81%**

Source: IPEDS



While the creation of new scholarship programs have 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 quitting is emotional stress, 55 percent, followed by personal mental health reasons, 47 percent. Program cost is cited 29 percent of the time.

Affordability and Outcomes

According to the College Board, New Mexico had the second-lowest tuition and fees for two-year colleges and the 10th-lowest tuition and fees for four-year colleges. The low tuition means that even out-of-state tuition at New Mexico colleges and universities may be lower than the in-state rates for surrounding states. For example, in-state tuition at University of California Merced, the cheapest of the UC schools, is $6,132 per semester, while out-of-state tuition at Eastern New Mexico University is $3,087 per semester. Additionally, out-of-state students who live within 135 miles of a New Mexico college can qualify for resident tuition rates.

Federal tuition and fee data show that New Mexico four-year institutions charge 35 percent less in tuition and fees than the national average, but this gap has narrowed over time. Twenty years ago, New Mexico four-year institutions charged 53 percent less than the national average.

Federal data show New Mexico students have average student debt of $34 thousand, ranking 32nd in the nation. However, few New Mexico students take out college debt and the state ranks 49th in the proportion of students who carry college debt. Despite New Mexico's favorable rankings in terms of the amount of debt taken and proportion of students taking on student debt, those who do 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.

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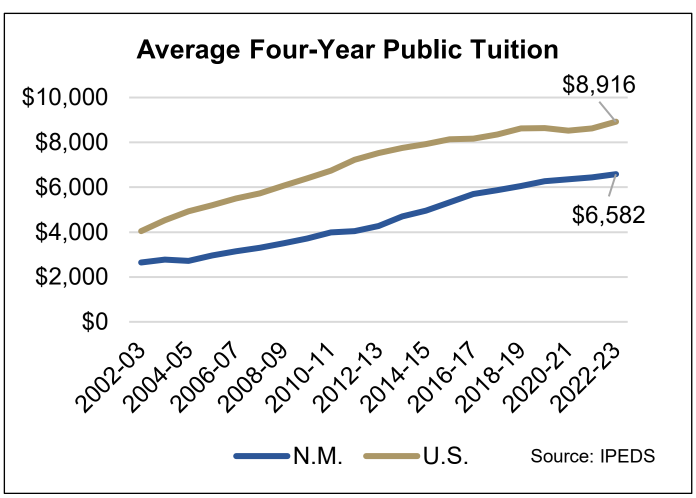
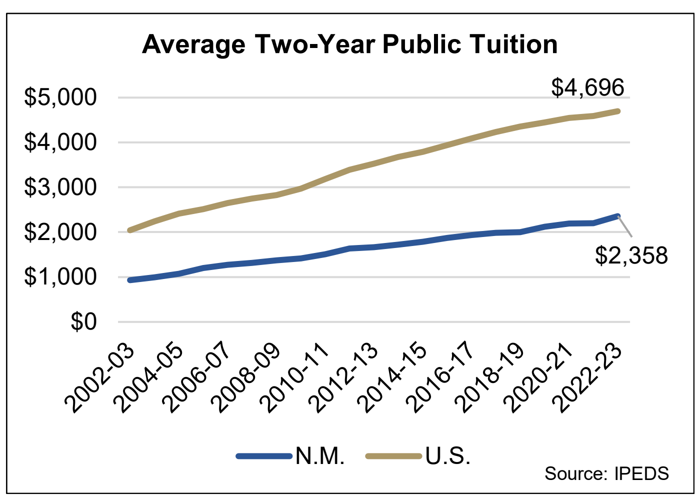




Cost Per Certificate or Degree Awarded
(in thousands)

	2018-19 Awards	FY19 I&G GF	Cost Per Award FY19	2023-24 Awards	FY24 I&G GF	Cost Per Award FY24	% Change Awards	% Change Award Cost
NMT	393	26,650.2	67.8	308	35,683.0	115.9	-22%	71%
NMSU	3,179	113,000.6	35.5	3,144	153,246.1	48.7	-1%	37%
UNM	5,529	182,301.8	33.0	4,770	243,618.7	51.1	-14%	55%
Research	**9,101**	**321,953**	**35.4**	**8,222**	**432,548**	**52.6**	**-10%**	**49%**
ENMU	1,290	26,674.5	20.7	1,316	40,053.6	30.4	2%	47%
NMHU	963	26,958.6	28.0	779	35,622.4	45.7	-19%	63%
NNMC	174	9,899.7	56.9	192	12,178.5	63.4	10%	11%
WNMU	620	16,772.3	27.1	855	25,599.0	29.9	38%	11%
4-Year	**3,047**	**80,305**	**26.4**	**3,142**	**113,454**	**36.1**	**3%**	**37%**
ENMU-RO	460	11,181.5	24.3	507	14,219.9	28.0	10%	15%
ENMU-RU	77	1,980.8	25.7	98	2,404.1	24.5	27%	-5%
NMSU-AL	94	7,028.9	74.8	76	8,565.7	112.7	-19%	51%
NMSU-DA	1,092	22,087.1	20.2	1,095	28,460.9	26.0	0%	29%
NMSU-GR	59	3,342.5	56.7	92	4,181.5	45.5	56%	-20%
UNM-GA	336	8,486.2	25.3	312	10,419.2	33.4	-7%	32%
UNM-LA	110	1,757.0	16.0	80	2,294.9	28.7	-27%	80%
UNM-TA	142	3,410.6	24.0	177	4,568.8	25.8	25%	7%
UNM-VA	203	5,309.7	26.2	123	6,899.8	56.1	-39%	114%
CNM	6,158	55,497.9	9.0	4,398	75,202.5	17.1	-29%	90%
CCC	504	9,271.3	18.4	453	11,927.1	26.3	-10%	43%
LCC	125	6,717.3	53.7	81	7,912.1	97.7	-35%	82%
MCC	329	3,877.3	11.8	170	4,871.5	28.7	-48%	143%
NMJC	418	5,333.9	12.8	364	7,026.2	19.3	-13%	51%
SJC	1,578	23,121.7	14.7	1,566	29,746.0	19.0	-1%	30%
SFCC	907	9,615.3	10.6	498	13,241.0	26.6	-45%	151%
SENMC	158	3,944.0	25.0	109	4,836.2	44.4	-31%	78%
2-Year	**12,750**	**181,963**	**14.3**	**10,199**	**236,777**	**23.2**	**-20%**	**63%**
Grand Total	**24,898**	**584,221**	**23.5**	**21,563**	**782,779**	**36.3**	**-13%**	**55%**

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

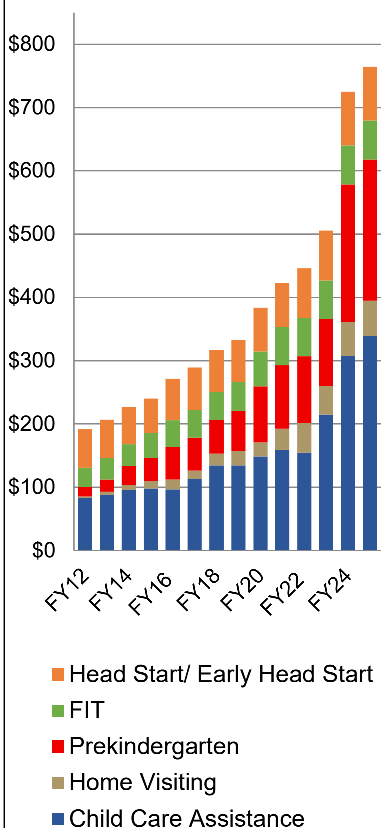
Source: LFC Files

Early Childhood Education and Care Department

ACTION PLAN

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

Recurring Early Childhood Funding History
FY12-FY25
(in millions)



*Note: Federal Head Start program and State K-12 Plus and Early Literacy programs not included.

The Early Childhood Education and Care Department (ECECD) added several new measures in FY24 for the support and intervention program. Several of these measures are reported annually at the close of FY24. Many of the annual measures related to prekindergarten and early learning readiness declined compared to previous years. Within the state's early childhood system, prekindergarten has previously proven to be the most effective in improving long-term educational outcomes. The state must maintain quality outcomes in prekindergarten to support school readiness.

Family Support and Intervention

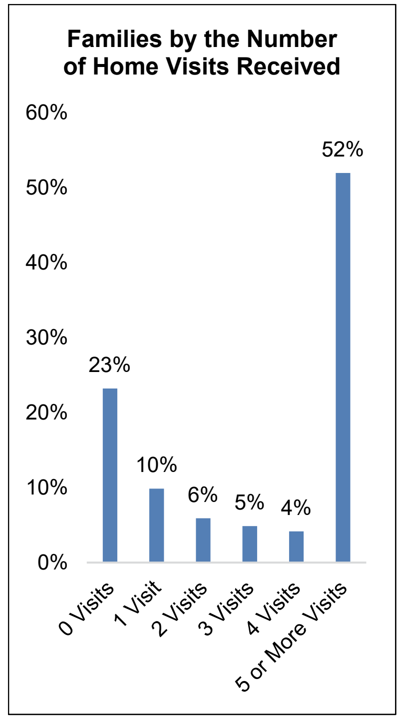
The program primarily consists of three components: the Family, Infant, Toddler (FIT) developmental disabilities intervention program, the Families First case management program, and the Home Visiting parental education and support program. This program has achieved its performance targets, particularly in terms of families making progress in cultivating positive parent-child interactions and ensuring children receive regular well-child visits. These metrics serve as indicators of the Home Visiting Program's success in assisting new families in achieving health and developmental milestones for their young children. However, recent LFC research indicates only 7 percent of families complete the program, meaning families are not receiving the full benefit of the services. The program has reported an enrollment of only 402 families in the Medicaid-Funded Home Visiting Program, far short of the performance target of 1,500 and below the previous fiscal year. 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: $77,212.4 **FTE:** 59

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of families enrolled in Medicaid Home Visiting	299	440	1,500	402	R
Average annual number of home visits per family	27	19	12	22	G
Percent of children enrolled in Home Visiting for longer than six months who receive regular well-child exams as recommended by the American Academy of Pediatrics	86%	88%	86%	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	73%	79%	78%	82%	G
Percent of women enrolled in Families First who are eligible for Medicaid and access prenatal care by the 28th week of pregnancy	93%	90%	93%	90%	Y
Percent of children making significant improvement annually in social emotional skills, knowledge and skills and appropriate behavior	New	New	75%	Not Reported	R
Percent of women who are pregnant when they enroll in Home Visiting who access postpartum care	93%	90%	90%	81%	R

Budget: $77,212.4 **FTE:** 59

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
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 45-day timeline	New	93%	100%	94%	Y
Percent of Home Visiting families with face-to-face visits, monthly	New	New	NA	91%	G
Percent of families enrolled in Families First by the 28th week of pregnancy	New	New	80%	65%	R
Percent of families enrolled in Home Visiting by the 28th week of pregnancy	New	New	25%	75%	G
Percent of families enrolled in Home Visiting who receive safe sleep education and supporting materials and follow the recommended safe sleep practices	New	New	75%	82%	G
Percent of women enrolled in Home Visiting who are eligible for Medicaid and access prenatal care by the 28th week of pregnancy	New	New	80%	93%	G
Percent of women who are pregnant when they enroll in Families First and access postpartum care	New	New	70%	100%	G
Percent of Comprehensive Addiction and Recovery Act families connected to agency services and supports	New	New	55%	41%	R
Percent of children performing at categorical age expectations annually, to include positive social and emotional skills, knowledge and skills, and appropriate behavior	New	New	75%	Not Reported	R
Program Rating	R	R			Y



Early Education, Care, Nutrition, and Prekindergarten

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 copayments would be waived. At the close of FY24, enrollment had increased to around 29 thousand, with an average annual cost per child of $10,379.

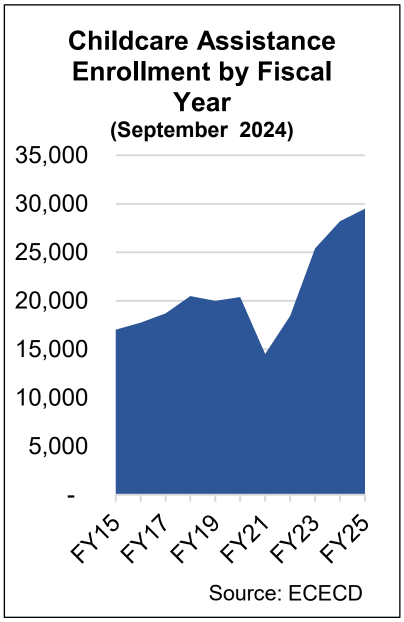
Budget: $542,801.0 **FTE:** 156

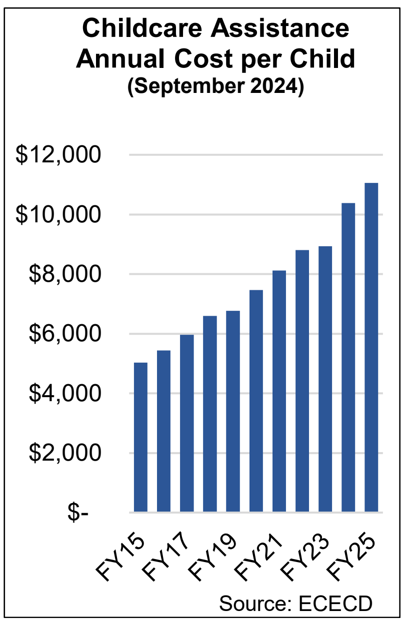
	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of children who were enrolled for at least six months in the state-funded New Mexico prekindergarten program who score at first step for kindergarten or higher on the fall observation kindergarten observation tool.	New	New	80%	49%	R

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

Note: Outcome of interest was maltreatment risk assessment or medical assessment of maltreatment risk. Health is defined as child or adult physical or behavioral health.
Source: Title IV-E Prevention Services Clearinghouse





Budget: $542,801.0 **FTE:** 156

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of infants and toddlers participating in the childcare assistance program enrolled in childcare programs with four- or five-stars	60%	58%	60%	65%	G
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.	Not Reported	92%	90%	91%	G
Percent of children who participated in a New Mexico Pre-K program, for at least nine months, who are proficient in math in kindergarten	NA	63%	75%	52%	R
Percent of children who participated in a New Mexico Pre-K program, for at least nine months, which are proficient in literacy in kindergarten	NA	60%	75%	51%	R
Average length of time enrolled in months for families receiving childcare assistance	New	New	12	18	G
Percent of children attending full-time childcare, defined as 30 hours or more a week	New	New	72%	73%	G
Percent of enrolled families at or below 125 percent of the federal poverty level	New	New	65%	42%	R
Program Rating	R	R			Y

Policy, Research and Quality Initiatives

The Policy, Research and Quality 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. The department reported meeting targeted performance measures.

Budget: $21,101.2 **FTE:** 29.5

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of early childhood professionals, including tribal educators, with degrees or credentials in early childhood related fields	NA	Not Reported	50%	77%	G
Percent of licensed childcare providers participating in Focus tiered quality rating and improvement system	51%	64%	60%	65%	G
Percent of licensed childcare providers participating in Focus tiered quality rating and improvement system at the four- and five-star level	60%	60%	50%	62%	G
Number of infant early child mental health professionals trained and onboarded	New	New	15	15	G
Percent of early childhood professionals receiving support from infant early child mental health consultants	New	New	10%	30%	G
Program Rating	R	R			G

New Mexico consistently ranks among the worst six states for repeat maltreatment occurring within 12 months of the initial allegation, and in FY24 the state's reported rate of repeat maltreatment worsened. The state has enacted legislation and significantly increased appropriations for evidence-based approaches to reduce and prevent maltreatment, though these strategies have largely not yet been implemented. In FY24, the number of children in foster care increased over FY23, reversing prior trends. The department continues to face challenges recruiting and retaining a professional social worker workforce, though turnover in Protective Services improved significantly in FY24. Other indicators of Protective Services performance are trending in a negative direction. While several indicators in juvenile justice are trending in a positive direction, the number of youths in juvenile justice facilities has increased after years of decline.

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

***Kevin S., et al. v. Blalock and Scrase* Lawsuit Settlement**

The lawsuit against CYFD alleged:

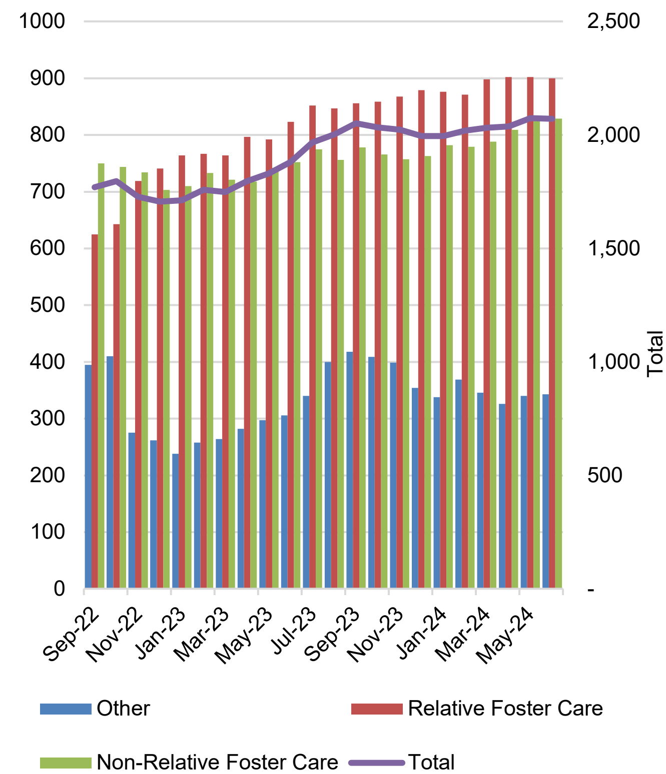
- Systemic failures resulting in harm to children in foster care,
- Lack of stable placements,
- Behavioral health needs unmet,
- No trauma sensitive system, and
- Little behavioral health capacity.

A settlement agreement committed CYFD to improve Protective Services caseloads, increase the number of resource (foster care) and community-based placements, expand access to children's behavioral health services, among other commitments.

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. Between FY18 and FY23, CYFD preventive services expenditures grew significantly, though these expenditures remained less than 5 percent of all protective services spending. Repeat maltreatment increased from 13 percent in FY23 to 15 percent in FY24, 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. Within Protective Services, CYFD also reports the agency launched a Safety Practice Quality Assurance Team to review investigation cases to ensure safety practice, reduce risk, and build infrastructure to reduce repeat maltreatment. The agency is using the safe systems tool to review all child fatality cases that involve prior CYFD contact and other critical incidents.

Children in Care by Placement Type

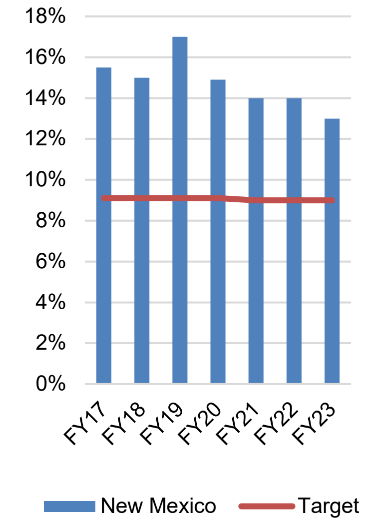


Source: CYFD

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 does not have an approved Family First Prevention Services Act plan. CYFD reports continuing work to submit a plan that will be approved by the federal government, though the timeline for approval is unknown.

Foster Care. The number of children in foster care in New Mexico steadily declined from FY17 to FY23, when the trend reversed. In FY24, 872 youth entered foster care, and 542 youth exited foster care. The percentage of children who achieved permanency within 12 months has declined since FY22. In addition, 249 youth were placed

Children Subject to Repeat Maltreatment within 12 months



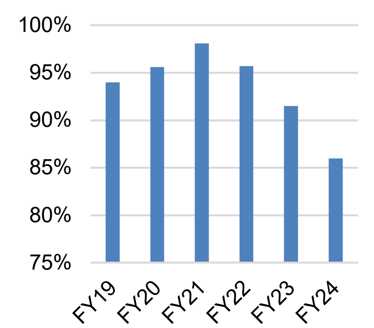
Source: CYFD

LegisStat

During the 2024 interim, CYFD LegisStat hearings focused on three key performance challenges:

- Maltreatment and repeat maltreatment rates
- Turnover and staffing within Protective Services
- Numbers of resources (foster homes)

Children in Foster Care Who Have at least One Monthly Visit with a Case Worker



Source: LFC files

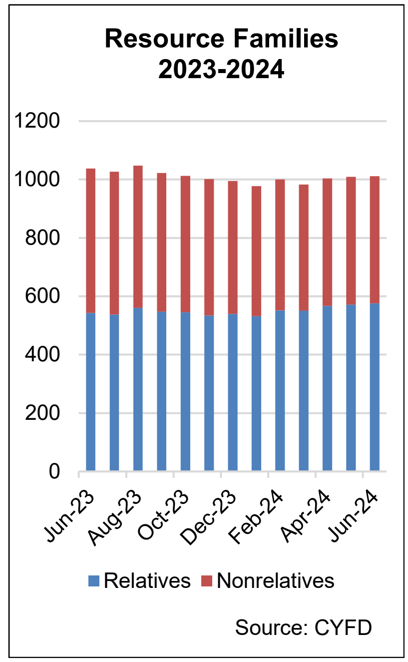
in short stays, a foster care placement of less than 30 days, a figure that, if counted with foster care entries, would total 22 percent. In June 2024, 2,072 children were in foster care. The department reports restructuring Protective Services to include a team dedicated to foster (resource) family recruitment and retention. Nevertheless, the FY24 rate of 8.1 moves per 1,000 days of care is well above the performance target of four placement moves. In addition, metrics related to time-to-permanency worsened in FY24.

Budget: $226,884.3 **FTE:** 1,171

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Maltreatment					
Percent of children in foster care who have at least one monthly visit with their case worker*	98%	92%	None	86%	NA
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%	13%	9%	15%	R
Rate of maltreatment victimizations per one hundred thousand days in foster care within a rolling twelve month period	14.7	13.0	8.0	10.03	Y
Families that participated in in-home services or family support services and did not have a subsequent substantiated report within the next twelve months	75%	80%	70%	74%	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	Reported differently	5%	57%	R
Average statewide central intake call center wait time (in seconds)	30	29	3	76	R
Foster Care					
Turnover rate for protective services workers	37%	37%	25%	34%	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	5.7	7.6	4.1	8.1	R
Children in foster care more than eight days who achieve permanency within twelve months of entry into foster care	36%	33%	42%	34%	Y
Children removed during a rolling twelve-month period who were initially placed with a relative or fictive kin	New	New	50%	32%	R
Children in foster care for twenty-four months or more at the start of a twelve-month period who achieve permanency within twelve months	38%	31%	42%	25%	R
Foster care placements currently in kinship care settings	49%	52%	55%	48%	R
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	42%	34%	50%	34%	R
Program Rating	R	R			R

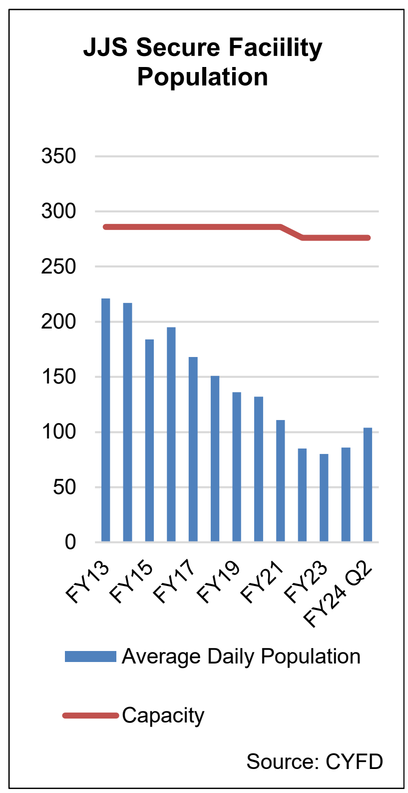
Juvenile Justice Services

Over the last decade, the number of youths incarcerated in secure juvenile justice facilities has steadily decreased from the state's peak as CYFD has implemented evidence-based practices. However, during FY24, the number of youths in secure Juvenile Justice Services (JJS) facilities has increased, from an average census of 80 in FY23 to an average census of over 100. This increase may be due, in part, to changes CYFD has made to override a validated risk assessment tool and an increase in the number of youths charged with violent crimes in the 2nd Judicial District. 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. Several metrics reflected positive trends compared to the prior quarter, including a reduction in turnover among youth care specialists, an increase in the rate at which clients successfully complete informal probation, and reductions in physical assaults within secure facilities.



Budget: $81,145.7 **FTE:** 754.5

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Turnover rate for youth care specialists	39%	16%	21%	34%	R
Percent of clients who successfully complete formal probation	87%	93%	87%	90%	G
Percent of clients who successfully complete informal probation	Not reported	Not reported	80%	91%	G
Percent of youth confined for over six months whose math skills increased between admission and discharge	44%	57%	56%	58%	G
Percent of youth confined for over six months whose reading skills increased between admission and discharge	33%	49%	56%	62%	G
Number of substantiated complaints by clients of abuse or neglect in juvenile justice facilities	2	4	3	0	G
Percent of youth discharged from active field supervision who did not recidivate in the following two-year period	85%	87%	88%	86%	Y
Rate of physical assaults per one thousand days youth spent in facilities	0	Not reported	3.75	5.5	Y
Percent of youth discharged from a secure facility who did not recidivate in the following two-year time period	65%	55%	45%	34%	Y
Youth served by juvenile justice who are placed in a less-restrictive, community-based setting	New	New	93%	94%	G
Program Rating	R	R			Y



Behavioral Health Services

CYFD is on track to increase the number of community-based behavioral health personnel by 50 percent. However, the agency did not fully leverage resources available to expand behavioral health provider capacity. In FY24, the department received $963.4 thousand to establish three more community behavioral health clinician teams. While the Behavioral Health Services program is near the target for ensuring targeted juvenile justice clients receive consultation from a community behavioral health clinician, the department is far from meeting targets for clinician consultations for youth in foster care. In addition, only 73 percent of youth in Protective Services custody over the age of 12 were placed in a least restrictive environment, 12 percent below the performance target and 18 percent below FY23 actuals.

Budget: $54,529.3 **FTE:** 121

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Infant mental health program participants showing improvement developmentally through clinical assessment and observation	100%	NA	90%	93%	G
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/ violence can have on children	Reported differently	94%	85%	96%	G
Percent of youth aged twelve or older in protective services custody who are placed in a less restrictive, community-based setting	Reported differently	91%	85%	73%	R
Percent of 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	93%	90%	95%	92%	Y
Clients enrolled in multisystemic therapy who demonstrate improvement in one or more behavioral health outcomes	90%	89%	75%	92%	G
Percent of protective services-involved youth in the target population who receive consultation from a community behavioral health clinician	Reported differently	66%	75%	15%	R
Percent of juvenile-justice involved youth in the estimated target population who have received consultation from a community behavioral health clinician	Reported differently	Reported differently	80%	63%	Y
Program Rating	Y	Y			Y

Economic Development Department

New Mexico added 19.2 thousand nonfarm jobs in FY24, a 2.2 percent year-over-year growth. The Economic Development Department (EDD) reported creating 3,523 jobs this fiscal year, approximately 18 percent of total nonfarm jobs created. In FY24, EDD awarded $30.5 million in Local Economic Development Act (LEDA) funding to 14 companies. EDD also approved $35.9 million of Job Training Incentive Program (JTIP) funding to train 2,359 employees, awarding and training more than double compared to FY23. The Outdoor Recreation Division awarded a total of $11.3 million of Trails+ and outdoor equity funding in FY24 to support outdoor infrastructure and education programs. EDD met or exceeded most performance targets for FY24 with exceptions in number of jobs created through agency's efforts and facilitated by the New Mexico Partnership.

Economic Development

Job Creation. In FY24, the agency reported creating a total of 3,523 jobs, which is 477 jobs short of their target but 65 percent higher than total jobs created in FY23. In FY24, the agency created 871 rural jobs, 44 percent less than the number of rural jobs created in FY23. The average wage of jobs created in FY24 was $56.4 thousand, on par with the average from FY23 and $6,000 higher than the average three-year wage in corresponding counties.

Local Economic Development Act. In FY24, EDD committed a total of $30.5 million in LEDA funding to 14 projects. If successful, those projects intend to invest an additional $2.6 billion over the extent of their agreements. LEDA projects could result in 2,356 jobs with an average wage of $47,799. The average cost per job in FY24 was $12.9 thousand, a 6 percent increase compared to FY23's cost per job of $12.1 thousand. A large portion of LEDA awarded, anticipated private investments, and jobs created from FY24 is tied to Maxeon Solar Technologies. The company was awarded $18 million in LEDA funding and anticipates bringing in an additional $2.4 billion in private investment and creating 1,773 jobs. However, as of yet, construction for Maxeon Solar has not started. As of June 2024, the LEDA fund had a balance of $62.2 million, 27 percent less compared to the previous year.

Job Training Incentive Program. In FY24, EDD approved $35.9 million of JTIP funding to train 2,359 employees, an 87 percent increase compared to the 1,156 employees trained in FY23. The average wage this fiscal year was $30.70, 11 percent above New Mexico's average wage of $27.65. The average cost per job for JTIP in FY24 is $15,224, an increase of $1,297 or 9.3 percent compared to FY23. As of June 2024, the JTIP fund had a balance of $36 million, 1.3 percent higher compared to the previous year. Notable awards from FY24 include $8.2 million for Intel Corporation to train 680 employees and $1 million for Arcosa Wind Towers to train 86 employees.

New Mexico Partnership. The New Mexico Partnership was created as a mechanism to entice and entertain companies considering relocating to New Mexico. The New Mexico Partnership did not create any jobs in the third or fourth quarters of FY24. In total, New Mexico Partnership created 1,995 jobs in FY24, a significant increase compared to FY23's 165 jobs. A majority of those

ACTION PLAN

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

LegisStat Agency

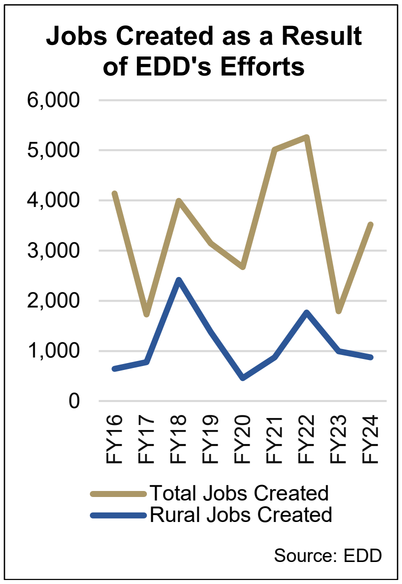
The Economic Development Department (EDD) participates in LFC's LegisStat panel, a hearing format hyper focused on performance metrics and agency action plans.
This year's LegisStat focused on the agency's efforts to increase employment in its science and technology target industries. The department answered the following questions:

- How is EDD working with other agencies and higher education to prepare the workforce for jobs in the clean energy sector?
- What efforts is the agency considering to increase employment in the science and technology target industries?
- What are the agency's plans to spend increased recurring and nonrecurring funding tied to science and technology sectors?

JTIP Trainees, Cost Per Job, and Average Wages

	Trainees	Cost Per Job	Average Wage
FY19	2,059	$8,144	$18.04
FY20	2,065	$8,757	$19.32
FY21	3,222	$7,825	$19.10
FY22	2,153	$12,620	$25.08
FY23	1,156	$13,927	$27.08
FY24	2,359	$15,224	$30.70

Source: EDD



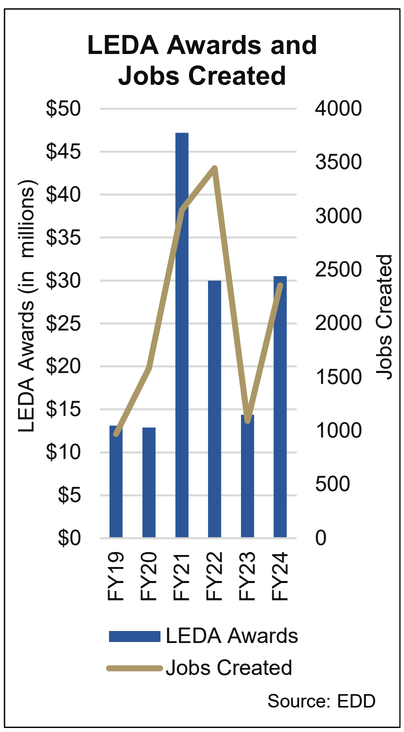
jobs, 1,773, are tied to the announcement of Maxeon Solar Technology in the first quarter. Expected jobs for Maxeon are also attributed to the EDD's efforts. The agency notes it had anticipated announcing projects in the third and fourth quarters, but announcements were delayed. The agency also notes that planning and confirming utility infrastructure is the largest hurdle for attracting companies to New Mexico. This fiscal year, the New Mexico Partnership conducted 16 site visits and engaged with 59 prospective companies.

Office of Strategy, Science and Technology. The Office of Strategy, Science and Technology (OSST) connects New Mexico's innovation infrastructure to the commercial market, encourages and enables science- and technology-based industries, and supports commercializing existing and emerging technologies. In FY24, 13 companies reported receiving $128 million of additional investments after receiving funding from the office.

Budget: $16,991.7 **FTE:** 55

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of jobs created due to Economic Development Department efforts	5,263	1,790	4,000	3,523	Y
Number of rural jobs created due to Economic Development Department efforts	1,766	996	1,320	871	Y
Number of jobs created through business relocations facilitated by New Mexico Partnership	64	165	2,250	1,995	Y
Number of jobs created through the use of LEDA funds	3,447	1,092	3,000	2,356	Y
Average wages in excess of cost per job for projects funded through LEDA	$55,690	$39,870	$27,500	$36,818	G
Dollars of private sector investment in MainStreet districts, in millions	$42	$52.9	$25	$51.6	G
Number of building rehabilitations assisted by the MainStreet program	232	278	200	241	G
Number of workers trained by JTIP	2,355	1,255	2,000	2,359	G
Average hourly wage of jobs funded by JTIP*	$23.67	$29.02	NA	$30.74	G
Dollars of follow-on investment in technology-based companies as a result of OSST programs, in millions	$5.2	$1,062	$2	$128	G
Program Rating	G	Y			Y

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



Outdoor Recreation

Trails + Outdoor Infrastructure Grants. In FY24, the agency awarded $7.6 million of Trails+ funding to 57 projects. The funding will leverage an additional $8 million in private and regional matching funds and will create 667 jobs over the next 24 months. The grant remained open and accepted applications on a rolling basis throughout FY24.

Outdoor Equity Fund. In FY24, the agency awarded $3.7 million with outdoor equity funding to 113 organizations, with grants ranging from $5,000 to $40 thousand. Funding will support outdoor education programs for 36 thousand youth. In FY25, the Outdoor Equity program will be funded by $468 thousand from the land of enchantment legacy fund.

Budget: $1,175.1 **FTE:** 4

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of new outdoor recreation jobs created by Outdoor Recreation Division*	173	411	NA	667	G
Number of outdoor recreation conservation and access projects funded and led by Outdoor Recreation Division*	44	44	NA	104	G
Number of youth to benefit from outdoor education programs, including outdoor equity fund grants*	21,904	12,221	NA	36,269	G
Program Rating	G	G			G

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

Film

Film production in New Mexico fluctuated in FY24 due to resolved and looming film strikes. The Film Division estimated 339 thousand film and media worker days, 57 percent and 97 percent lower than FY23 and FY22, respectively. The division estimates the film industry spent $98.7 million on wages, with a median wage of $76,449 in FY24. The division also estimates a total of $740 million in direct spending by film industry productions, slightly below direct spending from FY23, and resulting in $37.3 million in gross receipts tax in FY24. Film tax credits are estimated to be $102.2 million in FY24, up 2 percent from FY23, and are expected to grow to $188.6 million in FY25. The 2023 labor dispute between film studios and striking writers and actors is expected to have a small, short-duration negative impact on film tax credit uptake in FY24, translating to a 5 percent decrease in film tax credit spending in FY26. This two-year lag between FY24 uptake and FY26 credit payouts follows the observed timeline for most projects.

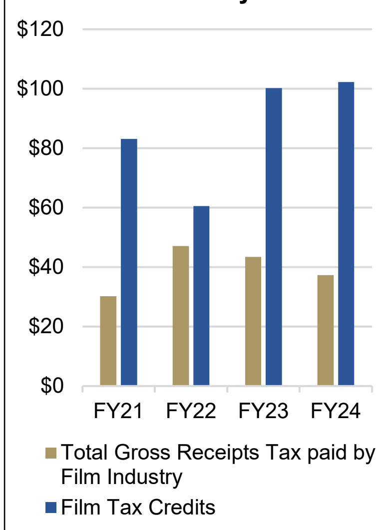
Budget: $1,708.50 **FTE:** 8

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of film and media worker days, in thousands	668	533	320	339	G
Estimated direct spending by film industry productions, in millions	$855.43	$794.11	$530	$740	G
Total wages paid by film industry productions to New Mexico residents, in millions	$157.06	$152.26	$100	$98.74	G
Median wages paid by film industry productions to New Mexico residents	$61,069	$73,860	$54,080	$76,449	G
Total gross receipts taxes paid by film industry productions, in millions	$47.10	$43.41	$25	$37.25	G
Program Rating	G	G			G

FY24 Outdoor Marketing Grant Awards

The Outdoor Recreation Division approved 41 grant applications and awarded $873 thousand for the first-ever Outdoor Marketing Grant (OMG) program in FY24. Funding was part of the American Rescue Plan Act. Grantees could use funding to increase outdoor marketing initiatives or apply for event sponsorships. Grants ranged from $10 thousand to $30 thousand. Grantees include Grant County to encourage residents and tourists to visit the Gila National Forest, Carrie Tingley Hospital Foundation to promote a cycling event called Day of the Tread, and Trout Unlimited to promote fly-fishing to diverse audiences.

Film Tax Credits and GRT Paid by Film Industry

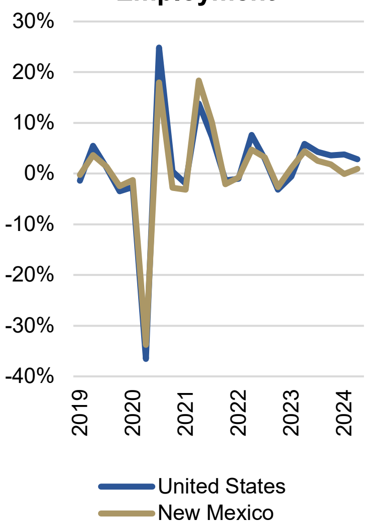


Source: EDD, LFC

Tourism Department

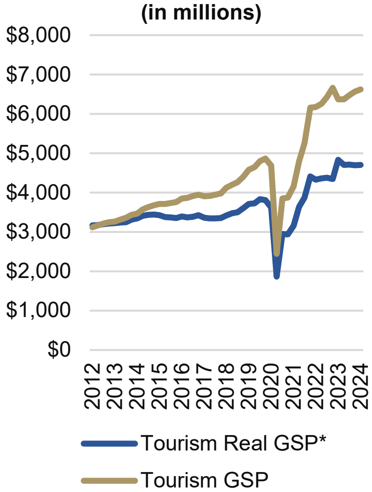
ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

Percent Change in Leisure and Hospitality Employment



Source: NMTD, U.S. Bureau of Labor Statistics

New Mexico Tourism Gross State Product (in millions)



*Real GSP is an inflation-adjusted measure.

Source: NMTD

The Tourism Department (NMTD) met or exceeded most performance targets for FY24. In FY24, the department awarded $907 thousand to 59 communities to support beautification and litter reduction efforts. The department also awarded $462 thousand to 35 local events through its Tourism Event Growth and Sustainability Program. The department continued its cooperative marketing and advertising grant program, which provides a 2-to-1 matching investment to tourism-related entities, and awarded $3.4 million to 46 partners tto support marketing and advertising initiatives that align with the New Mexico True brand.

Marketing and Promotion.

Workforce. Employment in New Mexico's leisure and hospitality sectors grew by 2.8 percent in FY24 compared to FY23. Employment in these sectors slowed during the third quarter, decreasing by 0.5 percent, or approximately 1,500 workers. The slower growth in these sectors indicates the stabilization of employment levels in these sectors toward prepandemic norms. Previous years saw more stark increases in leisure and hospitality employment as the state recovered from pandemic-related layoffs. Leisure and hospitality employment represents 10.6 percent of the state's total employment.

Media and Engagement. In FY24, the agency secured 140 media mentions, equating to $23.6 million in advertising value equivalency. Among highlights, the agency secured coverage in the *New York Times* and *Smithsonian Magazine*.

The agency also manages the cooperative marketing grant initiative, which requires matching funds from local governments, to enhance local tourism campaigns with the expertise and brand power of the department. The program had 46 partners in FY24.

Budget: $21,305.8 **FTE:** 14

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Year-over-year change in New Mexico leisure and hospitality employment	19%	4.6%	3%	2.8%	Y
Open email rate of NM True eNewsletters	New	27%	18%	28%	G
Amount of earned media value generated in millions	$5.2	$16.4	$2.0	$23.6	G
Program Rating	Y	G			G

Tourism Development

The program provides tourism support for communities, regions, and other entities around the state by providing training, litter prevention, cultural heritage outreach, and financial support in the form of competitive grants.

The program administers the Tourism Event Growth and Sustainability (TEGS), Destination Forward, and Clean and Beautiful programs and has already received applications for all three programs for FY25. In FY24, the Clean and Beautiful program awarded $907 thousand in grant funds to 59 communities—the highest amount awarded since the beginning of the program. Destination Forward received 34 applications in FY24, a significant increase from the 16 applications in its inaugural year. In FY24, Destination Forward awarded 10 tourism-related infrastructure projects with awards ranging from $50 thousand to $500 thousand. Awarded projects for Destination Forward include preservation of historic buildings in Bayard, zoo signage in Clovis, and downtown improvement in Roswell.

The department met its target for number of meetings with tribes and pueblos. While the department is still in the process of hiring a tribal tourism development officer to serve as the liaison and ensure compliance with the State Tribal Collaboration Act, the department started to actively track all meetings with tribal entities across the department in the fourth quarter.

Budget: $3,134.30 **FTE:** 20

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of meetings or events conducted with Native American tribe and pueblos	23	50	70	72	G
Number of participants in New Mexico True certified program	401	433	400	475	G
Program Rating	G	G			G

New Mexico Magazine

New Mexico Magazine generated a total revenue of $342 thousand in FY24—approximately $85.5 thousand per issue and exceeding the FY24 target. The magazine has a paid circulation of 44.2 thousand subscribers, of which two-thirds reside outside the state. The magazine averages a monthly audience of 340 thousand through the website and social media platforms. The magazine was recognized as Magazine of the Year at the 44th annual International Regional Media Association awards and won awards in many categories, including best general feature, reader service package, nature and environment feature, and print calendar.

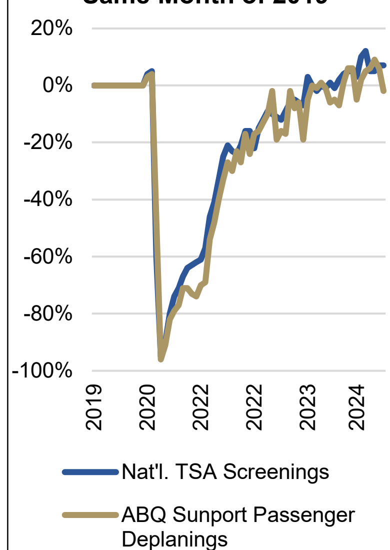
Budget: $3,322.30 **FTE:** 10

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Advertising revenue per issue, in thousands	$137	$146	$75	$79	G
Program Rating	G	G			G

Supporting Tourism in Ruidoso After Wildfires

The Tourism Department is working very closely with both the city of Ruidoso and Lincoln County to assist them with their recovery from the fires and floods. Working with local partners, NMTD is launching a cooperative marketing campaign following the principles and guidelines of its cooperative marketing program, including a 2-to-1 match. The agency submitted a budget adjustment request for $50 thousand to cover partner funds. The agency will contribute an additional $100 thousand to the campaign as well. Tourism is a large economic driver in Ruidoso, and the campaign will encourage tourists to return to Ruidoso. The agency notes it has historically done this for communities that experience natural disasters or catastrophic events.

Change in Passenger Volumes Relative to Same Month of 2019



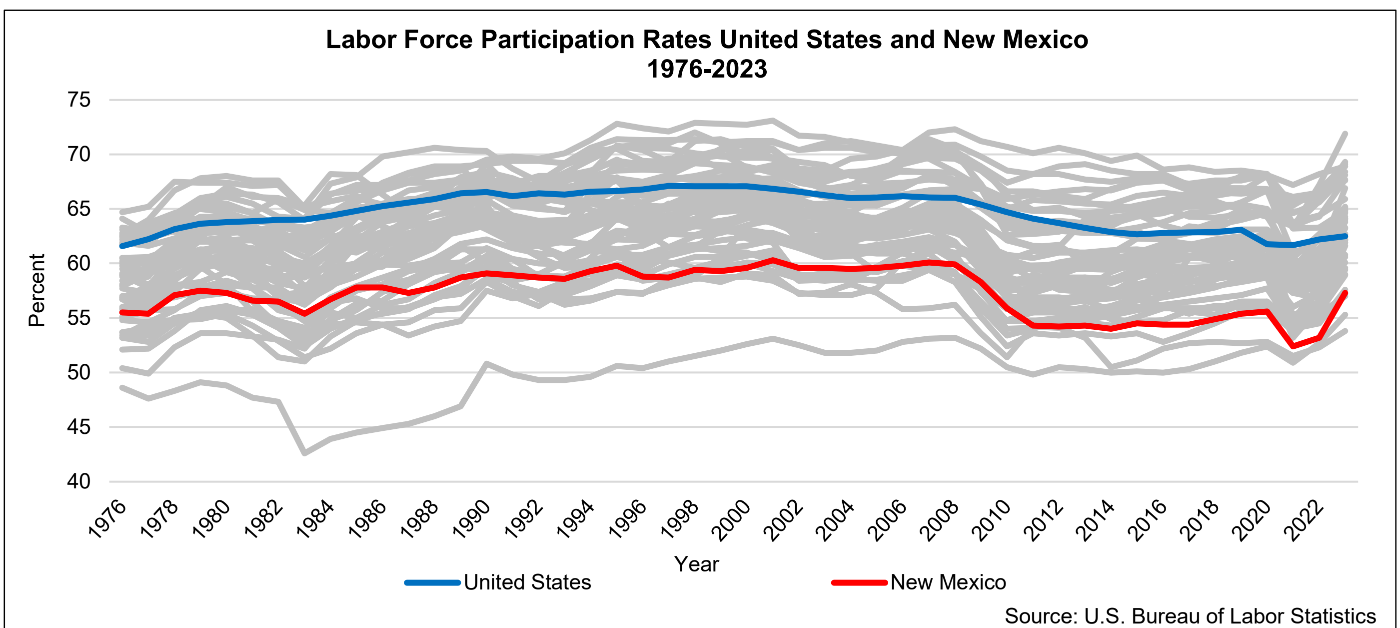
Source: NMTD

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

While the state's unemployment rates have recovered to prepandemic levels, the share of the state's working age population participating in the labor force is persistently low, and LFC reports have consistently noted low labor force participation holds the state back from economic development and expansion. During FY24, the state's unemployment rate increased from 3.7 percent in July 2023 to 4 percent in July 2024.

While the state's labor force participation rate (LFPR) has improved from the pandemic low, New Mexico's LFPR in July 2024 was 57.4 percent, the same rate as July 2023. The state would need an estimated 40 thousand additional individuals between ages 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 FY23, the department received $10 million in nonrecurring special appropriations for reemployment services, case management, and youth reemployment and apprenticeships, and WSD's strategy 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 primarily used special appropriations 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, the placement of career counselors in 15 high schools across the state, and pre-apprenticeship programs. In FY24, WSD reported a total of 5,100 middle and high school students participated in the mobile Be Pro Be Proud workshop on over 50 tour stops. In FY24, 448 participants completed pre-apprenticeship programs. Looking to the future, WSD should begin tracking the impact of participation in these programs on subsequent participation in the workforce, subsequent participation in workforce training, and other outcomes.

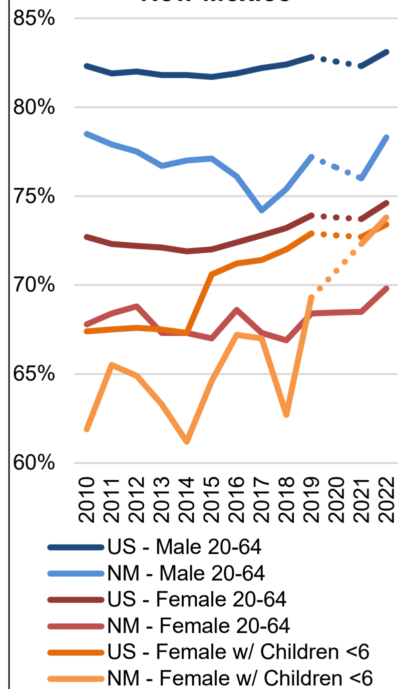


Employment Services

The Employment Services Program plays a key role in addressing low LFPR and is a central player in developing a plan to bring more working-age adults into the labor force. The program oversees the state's network of Workforce Connections Centers and operates several programs related to the federal Workforce Innovation and Opportunity Act (WIOA). The April 2024 LFC evaluation concluded Workforce Connections Centers are underutilized and have limited impact on employment outcomes. In FY24, utilization of Workforce Connections Center fell below performance targets but increased over FY23. To increase the state's labor force participation and reduce unemployment, WSD will need to find ways to reach people who are not coming into its offices.

WSD has increased the number of participants in registered apprenticeship programs, a pathway to increasing workforce participation in the trades, exceeding the agency's target. WSD reports an increased demand for new apprentices in building and construction programs. Six month earnings among people who receive employment services also increased from $15,547 in FY23 to $19,493 (25 percent), while average weekly earnings among the state's overall population grew by 3 percent between 2022 and 2023.

Labor Force Participation by Gender for U.S. and New Mexico

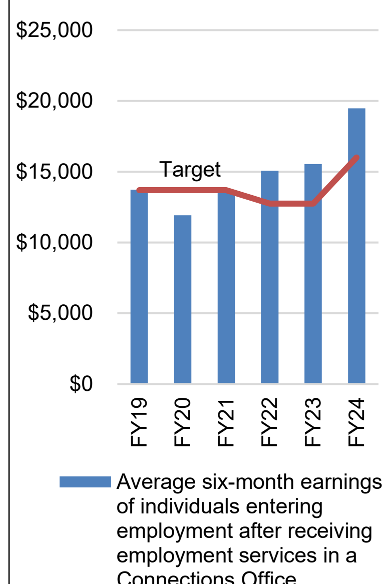


Note: No data was collected during 2020. Dotted lines represent an extrapolation between 2019 and 2021 data.
Source: American Community Survey 1-Year Estimate Subject Table S2301.

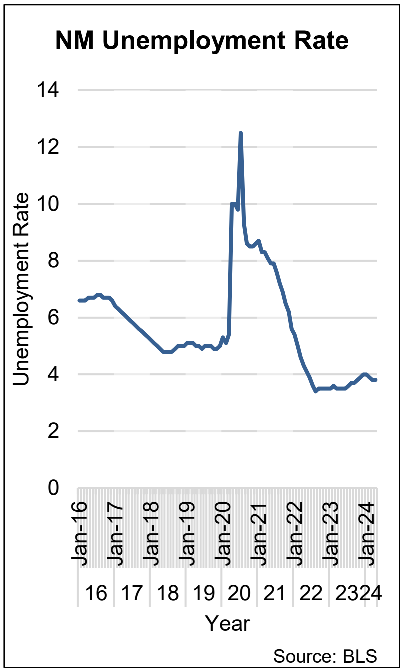
Budget: $32,756.4 **FTE:** 368

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Adults					
Average six-month earnings of individuals entering employment after receiving employment services in a Connections Center	$15,076	$15,547	$16,000	$19,493	G
Individuals receiving employment services in a Workforce Connections Center	60,116	50,041	100,000	67,545	Y
Individuals accessing the agency's online Job Seeking portal	106,659	63,024	125,000	83,123	Y
Unemployed individuals employed after receiving employment services in a Workforce Connections Center	51%	61%	60%	65%	G
Unemployed individuals who have received employment services in a Workforce Connections Center, retaining employment after six months	54%	63%	60%	63%	G
Average change in six-month earnings of working individuals after receiving employment services in a Workforce Connections Center	$2,032	$4,616	$2,000	$2,217	G
Audited apprenticeship programs deemed compliant	50%	66%	75%	44%	R
Apprentices registered and in training	1,883	2,273	2,000	2,565	G
Veterans					
Average six-month earnings of unemployed veterans after receiving employment services in a Workforce Connections Office	$18,801	$19,323	$19,000	$21,386	G
Recently separated veterans entering employment	48%	51%	60%	55%	Y
Unemployed disabled veterans entering employment after receiving employment services in a Workforce Connections Center	46%	50%	60%	53%	Y
Recently separated veterans retaining employment after six months	47%	51%	60%	51%	R
Program Rating	G	Y			Y

Six-Month Earnings After Receiving Employment Services



Source: WSD



Unemployment Insurance

New Mexico's unemployment rate remains below prepandemic level but ticked up slightly to 4 percent in July 2024. According to WSD, a total of 39 thousand New Mexicans were unemployed in July 2024. The insured unemployed population, those who are unemployed and receiving unemployment benefits, is a subset of the unemployed population. During the last week of June 2024, 9,677 New Mexicans were receiving unemployment benefits, an increase of 2 percent over the same week in 2023. The department reports falling short of the FY24 target for several unemployment insurance claims determination metrics and attributes performance to cleaning up older pandemic claims and decreased staffing.

Budget: $16,567.40 **FTE:** 164

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Eligible unemployment insurance claims issued a determination within twenty one days from the date of claims	35%	36%	80%	34%	R
First payments made within 14 days after the waiting week	52%	61%	87%	65%	R
Accuracy rate of claimant separation determinations	65%	51%	75%	39%	R
Average waiting time to speak to a customer service agent in the Unemployment Insurance Operation Center to file a new unemployment insurance claim, in minutes	7:19	16:31	9:00	13:55	Y
Average waiting time to speak to a customer service agent in the Unemployment Insurance Operation Cetner to file a weekly certification, in minutes	9:30	14:54	11:00	14:51	R
Program Rating	Y	Y			R

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*, which ruled the Labor Relations Division must issue wage and hour determinations in 85 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, and the department should have the resources to increase staffing and improve time to determinations in FY25.

Budget: $4,352.7 **FTE:** 45.5

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Average number of days for the Human Rights Bureau to investigate a claim and issue a determination	New	187	250	202	G
Discrimination claims investigated and issued a determination by the human rights bureau within one year	New	New	75%	100%	G
Total public works projects inspected and public works payroll audited within one year	New	New	80%	105%	G
Wage and hour violation claims investigated and issued a determination by the wage and hour bureau within two hundred days	New	New	90%	25%	R

Budget: $4,352.7 **FTE:** 45.5

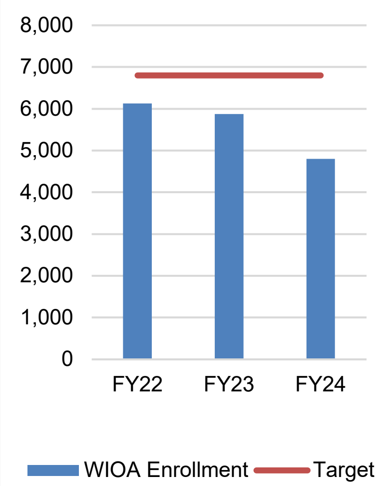
	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Average number of days for the wage and hour bureau to investigate a claim and issue a determination	New	New	175	365	R
Program Rating	Y	G			Y

Program Support and Workforce Investment

WSD also implements programs through the local workforce boards related to the federal Workforce Innovation and Opportunity Act (WIOA), which aims to help job seekers access employment, education, training, and support services to succeed in the labor market and to help employers meet their workforce needs. The WIOA funds four core workforce development programs for at-risk adults, youth, dislocated workers, and basic career services. WIOA programs exceeded many of the related performance measure targets. However, the department noted a decrease in WIOA participants, attributing the decrease to a decline in Workforce Connections Centers traffic and the availability of scholarships and other subsidized funding opportunities to support workers seeking education and training. The number of youth receiving services and registering in the online Career Solutions tool includes youth who attended the Be Pro Be Proud trades simulator, resulting in the department far surpassing the performance target.

While WSD is meeting many of the program performance targets, 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. As WSD is meeting most of the performance measure targets currently, the state should consider increasing these targets in the future. In additions, the number of people enrolled in WIOA training programs declined by 18 percent between FY23 and FY24, when 4,804 New Mexicans were enrolled in WIOA training programs.

Number of Enrolled Participants in WIOA Training Programs



Source: WSD

Budget: $ 44,512.1 **FTE:** 113

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Youth Unemployment					
Youth who are employed in the state	71%	63%	70%	72%	G
Youth receiving services and registered in the online Career Solutions tool	1,453	4,337	3,000	13,323	G
WIOA Programs					
Participants who are in unsubsidized employment during the second quarter after exit from a WIOA program	74%	76%	77%	79%	G
Median earnings of participants who are in unsubsidized employment during the second quarter after exit from a WIOA	$8,341	$8,701	$8,500	$9,421	G
Participants who are in unsubsidized employment during the fourth quarter after exit from a WIOA program	76%	76%	78%	77%	Y
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	70%	63%	70%	72%	G

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	70%	67%	70%	68%	Y
Participants enrolled in an education or training program, excluding those in on-the-job 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%	69%	70%	70%	G
Number of adult and dislocated workers receiving supplemental services of WIOA as administered and directed by the local area workforce board	New	3,423	2,863	2,802	Y
Number of enrolled participants in WIOA training programs	6,125	5,872	6,800	4,804	R
Reemployment Programs					
Reemployment Services and Eligibility Assessment program participants exhausting unemployment insurance benefits	58%	41%	47%	46%	Y
Reemployment Services and Eligibility Assessment program participants reemployed	35%	49%	54%	56%	G
Program Rating					Y

Health Care Authority

ACTION PLAN

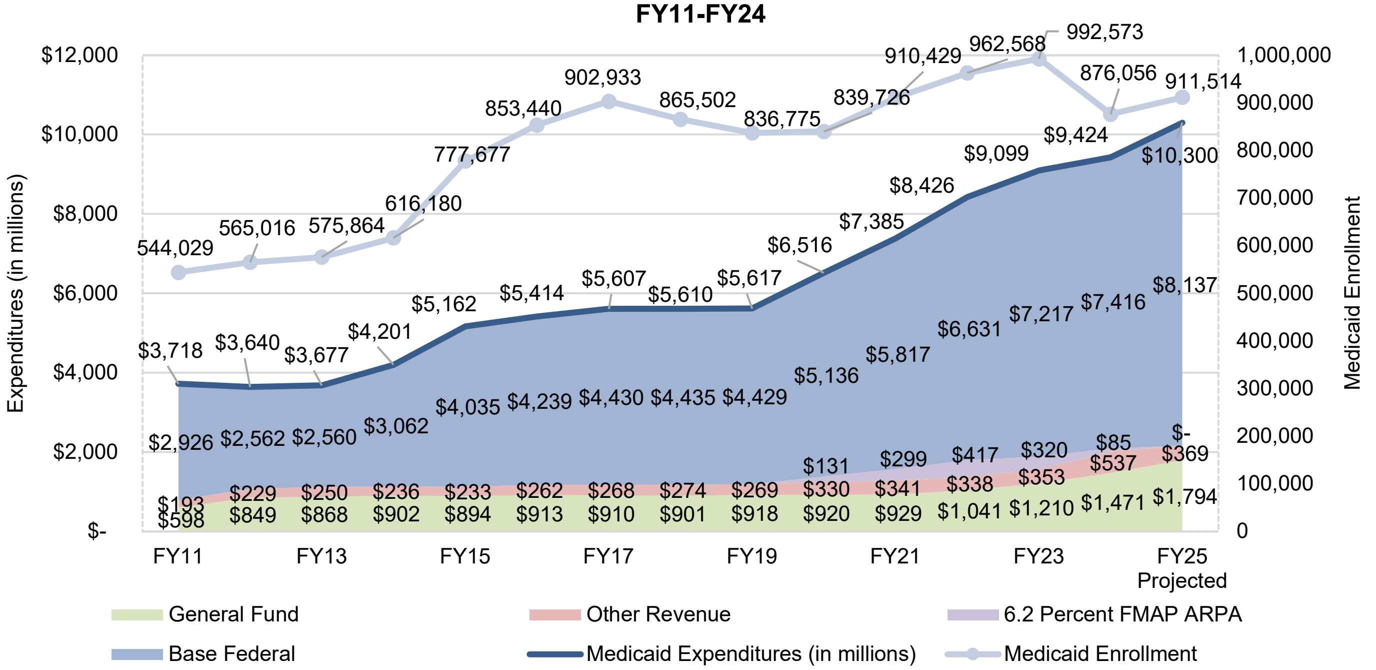
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	No

The Legislature 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, including more than $1 billion for hospitals. However, many rates from FY24's legislative session will not be effective until January 2025, even though these rates were funded for the full year. With close to half of the state's population enrolled in the Health Care Authority's (HCA) Medicaid Program, rate adjustments that reach the intended providers and improve access are a major lever for the state to improve health outcomes overall. Given the investment, the state should maintain an expectation 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 and improved provider recruitment and retention. The health challenges experienced by the state's Medicaid population will likely not improve if Medicaid enrollees continue to have trouble making appointments.

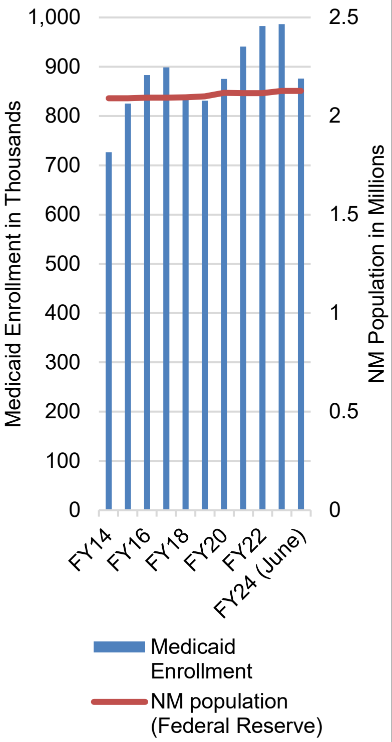
Projecting Future Needs. The Health Care Authority's June 2024 monthly statistical report indicates 876,056 individuals received Medicaid, 14.5 thousand fewer individuals than the department's July 2024 projection indicated. Available data continues to indicate enrollment is trending downward with the end of the public health emergency and economic improvement, including increases in labor force participation. 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, the department will need to work with LFC to develop more consensus around its budget projections.

Total Medicaid Enrollment and Expenditures FY11-FY24



Source: HSD September 2023 Projection

Total Medicaid Enrollment and Population



Source: HSD and FRED

Medical Assistance

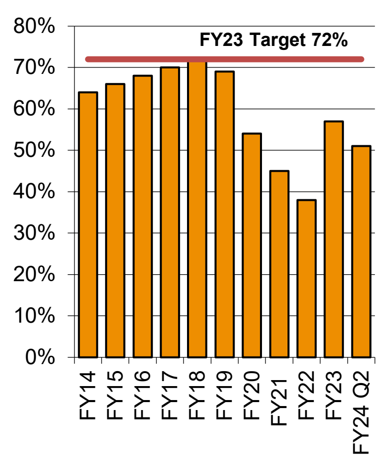
The state's Medicaid program improved on some of its performance for the fourth quarter, including infant well-child visits and the care of people with diabetes. For well-child visits, each MCO discussed a strategy to improve these measures, such as social media campaigns, text messages encouraging parents to schedule the visits, and meeting with providers on a regular basis. In previous quarters, HCA directed MCOs to incentivize providers that offer after-hour and weekend appointments for child wellness visits, including immunizations.

Budget: $8,163,501.1 **FTE:** 221

	FY22 Actual	FY23 Actual	FY24 Target	FY24 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**	45%	63%	N/A	66%	G
Children and adolescents ages 3 to 21 enrolled in Medicaid managed care who had one or more well-care visits during the measurement year**	17%	44%	60%	45%	R
Children ages 2 to 20 enrolled in Medicaid managed care who had at least one dental visit during the measurement year**	38%	57%	68%	51%	R
Hospital readmissions for children ages 2 to 17 within 30 days of discharge	7%	7%	<5%	8%	Y
Hospital readmissions for adults 18 and over within 30 days of discharge**	11%	9%	<8%	9%	Y
Emergency department use categorized as nonemergent care	53%	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**	60%	80%	80%	78%	Y
Medicaid managed care members ages 18 through 75 with diabetes, types 1 and 2, whose HbA1c was >9 percent during the measurement year**	77%	52%	65%	52%	G
Program Rating	R	R			Y

**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. FY24's column is reporting CY23's final data.

Children in Medicaid Receiving Annual Dental Visit



Source: HSD Quarterly Report

Income Support

The Income Support Division (ISD) fell short of all performance targets. Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) caseloads continued to be a drag on the authority's performance. For FY25, the program received $14.1 million to expand the SNAP program. The expansion may further strain workloads, leading to diminished performance. However, the authority reports it implemented processes to improve performance. The federal government requires enrolling 95 percent of expedited cases within seven days. For the fourth quarter, ISD enrolled 84 percent of expedited SNAP cases within seven days, an improvement from 42 percent in the prior quarter. ISD has 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 all areas.

Budget: $1,327,713.6 **FTE:** 1,133

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Regular Supplemental Nutrition Assistance Program cases meeting the federally required measure of timeliness of 30 days	96%	38%	98%	74%	R
Expedited Supplemental Nutrition Assistance Program cases meeting federally required measure of timeliness of seven days	92%	64%	98%	84%	R
Temporary Assistance for Needy Families recipients ineligible for cash assistance due to work-related income	2%	7%	37%	1%	R
Two-parent recipients of Temporary Assistance for Needy Families meeting federally required work requirements	3%	12%	60%	12%	R
All families receiving Temporary Assistance for Needy Families meeting federally required work requirements	3%	10%	37%	7%	R
Program Rating	R	R			R

Child Support Enforcement

The Child Support Enforcement Division (CSED) 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. CSED 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 in the fourth quarter. CSED reported child support collections totaled $119 million, resulting in collections falling short of the FY24 target of $145 million and sliding from prior year's collections.

Budget: $39,970.3 **FTE:** 370

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Noncustodial parents paying support per total cases with support orders	52%	51%	58%	51%	R
Total child support enforcement collections, in millions	$130.3	$121	$145	$119	R
Child support owed that is collected	58%	58%	60%	59%	G
Cases with support orders	83%	84%	85%	83%	Y
Total dollars collected per dollars expended	$2.69	$2.43	$4.00	$2.46	R
Average child support collected per child*	$127.9	$124.5	N/A	$129	
Program Rating	R	R			Y

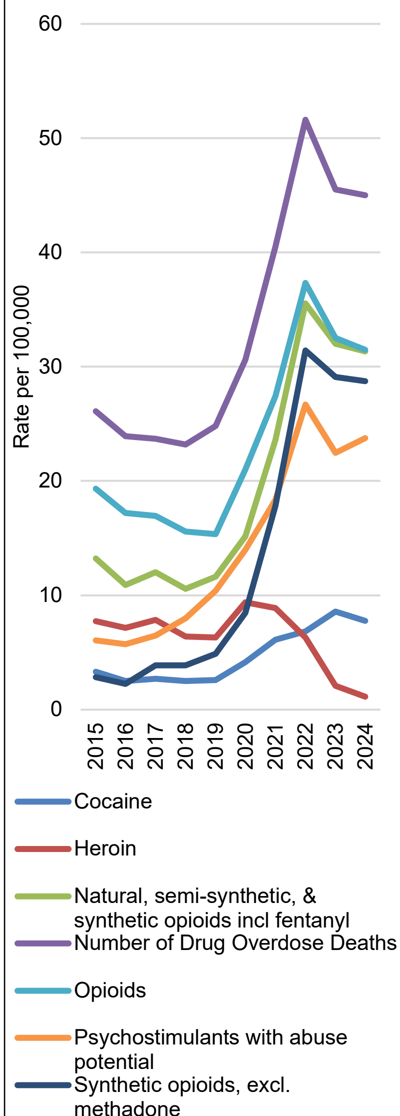
*Measure is classified as explanatory and does not have a target.

Behavioral Health Collaborative

ACTION PLAN

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

NM Overdose Death by Substance March 2015-March 2024 (Preliminary)



*The above categories are not mutallly exclusive.

Source: Centers for Disease Control and Prevention

The August 2023 LFC progress report *Addressing Substance Use Disorders* stated that efforts to expand treatment have not kept pace with the increased magnitude of substance use needs. Overdose deaths nearly tripled between 2013 and 2021, with most of the increase occurring in the last few years. Behavioral Health Collaborative agencies are budgeted to spend $1.1 billion in FY25, with $987 million of that in the Health Care Authority. Additionally, collaborative agencies received about $407 million in nonrecurring funding from the 2023 through 2025 sessions. Despite these investments, New Mexico has not yet been able to reverse trends in substance-related deaths or suicides.

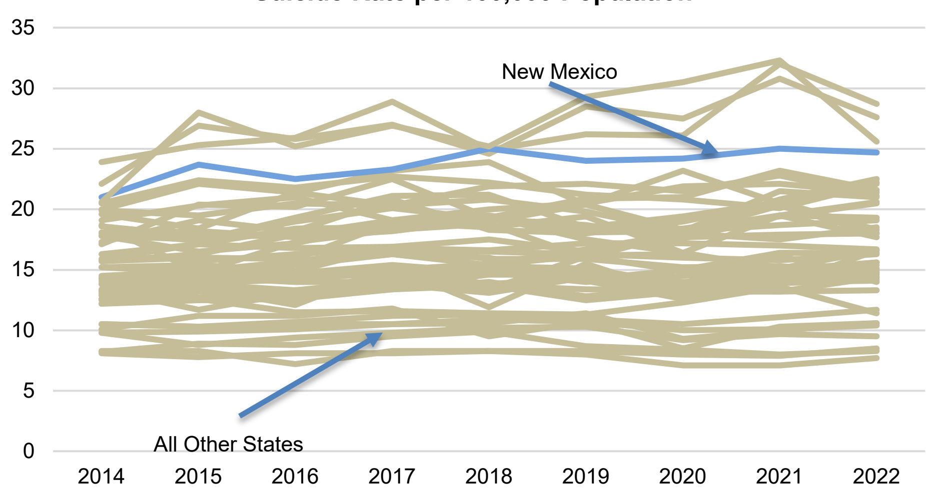
When the collaborative was established in 2004, the goal was to coordinate services for a system of behavioral healthcare. However, the collaborative has not met in nearly a year and has no executive appointed to operate the collaborative. The collaborative's executive is responsible for ensuring coordination of services across agencies and to develop strategic and master plans.

Existing Problem

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 2022, New Mexico had the fourth highest suicide rate in the nation, a rate of 24.7 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 percentage met in the United States of 28 percent.

Drug overdose deaths increased in the state from 26 per 100 thousand in 2011 to 52 per 100 thousand in 2021. During that time, drug overdose death rates increased from 13.2 to 32.4 per 100 thousand nationally. In 2021, the Department of Health reported 1,029 drug overdose deaths in New Mexico, or about three people daily.

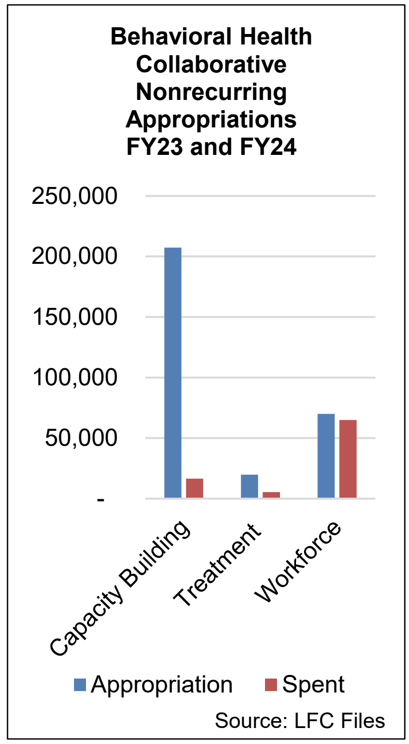
Suicide Rate per 100,000 Population



Source: Centers for Disease Control and Prevention

Behavioral Health System

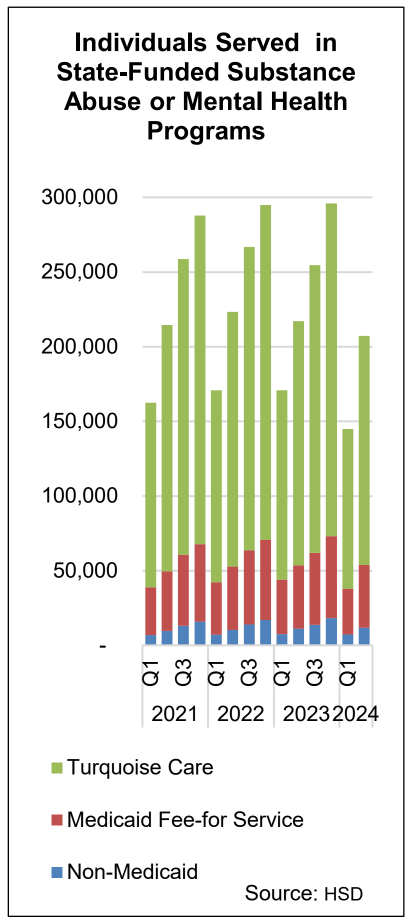
In 2024, BHSD reports New Mexico has 7,754 prescribing and 5,149 nonprescribing Medicaid behavioral health providers. Behavioral health providers grew from 4,955 in 2022 to 5,511 in 2023, an increase of 556 providers. The total number of behavioral health encounters increased from about 2.5 million in 2020 to slightly over 3 million encounters in 2022. 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 five behavioral health provider types were 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.



Provision of Behavioral Health Services. For FY24, the percentage of Medicaid inpatient psychiatric hospitalization stays receiving a follow-up with community-based services at seven days improved over the prior year but was below the target of 51 percent. The division reports community follow-up with the adult population is a larger challenge than with the younger population. For example, follow up for people ages 6 through 17 exceeds the annual combined target of 51 percent. The division says the MCOs continue to develop interventions to maintain and improve performance on this measure, although the data does not currently reflect these efforts.

Budget: $99,404.8 **FTE:** 70

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Adult Medicaid members diagnosed with major depression who received continuous treatment with an antidepressant medication	43%	43%	42%	45%	G
Medicaid members discharged from inpatient psychiatric hospitalization stays of four or more days who receive follow-up community-based services at seven days	32%	35%	51%	42%	R
Number of persons served through telehealth in urban, rural, and frontier counties for behavioral health.	62,439	48,718	30,000	73,054	G
Readmissions to same level of care or higher for children or youth discharged from residential treatment centers and inpatient care	10%	10%	5%	11.9%	R
Individuals served annually in substance use or mental health programs administered by the Behavioral Health Collaborative and Medicaid	212,486	217,126	212,486	207,259	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 seven days and 30 days	12% 7 day; 20% 30 day	21% 7 day; 34% 30 day	25%	32%	R
Program Rating	R	R			Y



Department of Health

ACTION PLAN

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

The Department of Health (DOH) reported mixed results in performance across the agency at the close of FY24. State health indicators, particularly those related to substance use disorder, have contributed to overall declines in the health outcomes of at-risk populations in the state. Despite ongoing efforts, there remain significant challenges in addressing the social determinants of health that exacerbate these issues. DOH continues to focus on implementing interventions and community health initiatives aimed at improving public health infrastructure and access to care.

Public Health

The Public Health Division (PHD) mission is to work with individuals, families, communities, and partners to improve health, eliminate disparities, and ensure timely access to quality, culturally competent healthcare. The program reported mixed performance during the third quarter, with programs dedicated to smoking cessation activities continuing to report low performance. Research has shown that comprehensive tobacco cessation programs can significantly reduce smoking rates and improve health outcomes. Effective strategies include behavioral counseling, pharmacotherapy, and community-based interventions. The U.S. Centers for Disease Control and Prevention (CDC) also emphasizes the importance of policies, such as smoke-free laws, increasing the price of tobacco products, and mass media campaigns to discourage smoking. Additionally, the program did not meet targeted performance for overdose reversals, which is a harm reduction program. Drug harm reduction is a public health approach aimed at minimizing the negative health, social, and legal impacts associated with drug use.

DOH reported significant delays in executing tobacco cessation program contracts, resulting in a decline in FY24 performance. In FY24, a total of 3,059 adults in New Mexico utilized the NM Quitline for tobacco cessation services. This number was lower in comparison to previous years. Of those enrolled in the program, nearly 44 percent reported having one or more chronic health conditions and 55 percent reported having one or more behavioral health conditions.

According to the U.S. CDC, smoking remains the leading cause of preventable disease, disability, and death in the country.

Smoking cessation medications approved by the U.S. Food and Drug Administration and behavioral counseling are cost-effective cessation strategies.

Budget: $248,764.8 **FTE:** 816.5

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
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	86%	88%	88%	84%	R
Percent of school-based health centers funded by the department of health that demonstrate improvement in their primary care or behavioral healthcare focus area	91%	96%	95%	96%	G
Percent of New Mexico adult cigarette smokers who access New Mexico Department of Health cessation services	1.9%	1.3%	2.6%	0.9%	R
Number of successful overdose reversals in the harm reduction program	3,420	3,025	3,200	3,153	Y
Percent of preschoolers ages nineteen to thirty-five months indicated as being fully immunized	66%	69%	66%	72%	G
Number of community members trained in evidence-based suicide prevention practices	New	775	700	1,169	G
Program Rating	R	R			Y

Epidemiology and Response

The Epidemiology and Response Division (ERD) is dedicated to monitoring health, disseminating health information, preventing disease and injury, promoting healthy behaviors, responding to public health events, preparing for health emergencies, and providing emergency medical, trauma, and vital records services to New Mexicans. The program's performance metrics focus on improving health status, reducing substance use deaths, and preventing suicide. Despite these efforts, the program has consistently fallen short of meeting its key performance targets.

Budget: $64,501.3 **FTE:** 363.0

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of people admitted to the emergency department of participating hospitals with a suicide diagnosis	New	294	300	228	R
Percent of New Mexico hospitals certified for stroke care	20%	18%	24%	19%	R
Percent of cities and counties with access and functional needs plans that help prepare vulnerable populations for a public health emergency	35%	37%	50%	41%	R
Number of older adults who participated in an evidence-based intervention falls program	New	444	800	544	R
Average time to provide birth certificate in days	5	5	4	10	R
Percent of death certificates completed by bureau of vital records and health statistics within ten days of death	50%	53%	64%	56%	R
Percent of hospitals with emergency department based self-harm secondary prevention programs	5%	2.7%	7%	Not Reported	R
Rate of persons receiving alcohol screening and brief intervention services	54%	25%	73%	Not Reported	R
Program Rating	R	R			

According to the data from the Department of Health and the University of New Mexico Health Sciences Center, New Mexico's drug overdose death rate has been one of the highest in the nation for most of the last two decades.

New Mexico Overdose Death by Drug Class

1. Fentanyl and analogues
2. Methamphetamine
3. Cocaine
4. Non-fentanyl Rx Opioids
5. Benzodiazepines
6. Heroin

Source: DOH

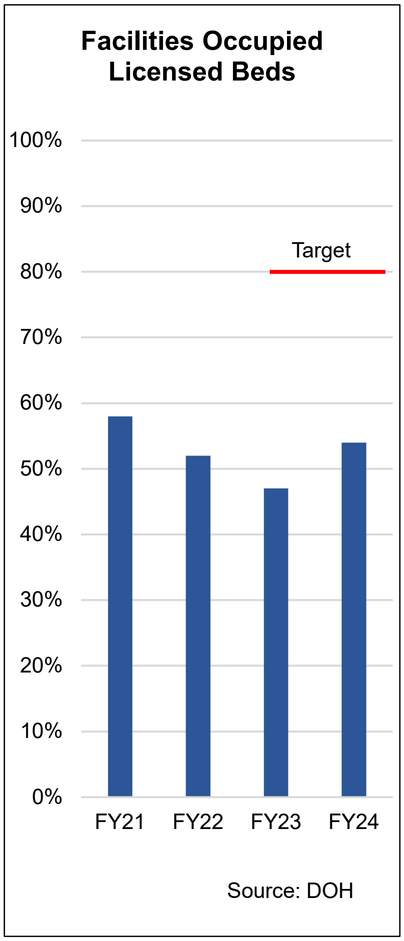
Scientific Laboratory

The Scientific Laboratory Division (SLD) provides a wide variety of laboratory services to programs operated by numerous partner agencies across New Mexico. The activities of SLD in support of state agencies are mandated in statute and are essential for the successful mission of the programs it supports. The program met its targeted performance.

Medication-assisted treatment (MAT) is a key strategy the department is working to expand to reduce substance use disorder in the state. The department now offer MAT in 29 of 35 public health offices statewide. Patients are seen by a nurse for intake, urine drug screen, linkage to care.

Budget: $17,089.7 **FTE:** 138

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of blood alcohol tests from driving-while-intoxicated cases completed and reported to law enforcement within fifteen calendar days	New	86%	80%	96%	G
Percent of blood alcohol tests from driving-while-intoxicated cases completed and reported to law enforcement within 30 calendar days	98%	99%	95%	99%	G
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	98%	97%	96%	97%	G
Percent of environmental samples for chemical contamination that are completed and reported to the submitting agency within 60 calendar days	93%	97%	92%	72%	R
Program Rating	G	G			Y



At the close of FY24, 7,522 individuals were receiving services through the developmental disabilities (DD) waiver. Additionally, the waiting list now consists of 111 individuals, far below previous fiscal years as more individuals have moved into services.

Facilities Management

The Facilities Management Division (FMD) supports the mission of the Department of Health by offering mental health, substance abuse, long-term care, and physical rehabilitation programs. These services are provided in both facility and community-based settings, serving as a safety net throughout New Mexico. FMD oversees six healthcare facilities and one community program, catering to individuals with complex medical conditions or behavioral health support needs. However, the occupancy of licensed beds in facilities statewide remains significantly below target levels. Lower than anticipated revenues combined with high personnel and contract costs continue to strain the program's finances.

Budget: $191,130.7 **FTE:** 1,913.5

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of medication errors causing harm per one thousand patient days within identified categories	0.2	0	1	0	G
Percent of in-house acquired pressure ulcers for long-term care residents – long stays	8%	7%	2%	7%	R
Percent of medical detox occupancy at Turquoise Lodge Hospital	69%	76%	80%	28%	R
Percent of medication assisted treatment inductions conducted or conducted after referrals on alcohol use disorder	83%	73%	65%	100%	G
Percent of dementia only residents on antipsychotics	4%	11%	16%	47%	R
Percent of medication assisted treatment utilized in the management of opioid use disorders while at Turquoise Lodge Hospital	73%	100%	85%	100%	G
Percent of patients educated on medication assisted treatment options while receiving medical detox services	89%	83%	90%	100%	G
Percent of patients eligible for naloxone kits who received the kits	83%	52%	90%	100%	G
Percent of licensed beds occupied	52%	47%	80%	54%	R
Percent of eligible third-party revenue collected at all agency facilities	93%	89%	93%	88%	G
Program Rating	R	Y			Y

Developmental Disabilities Supports

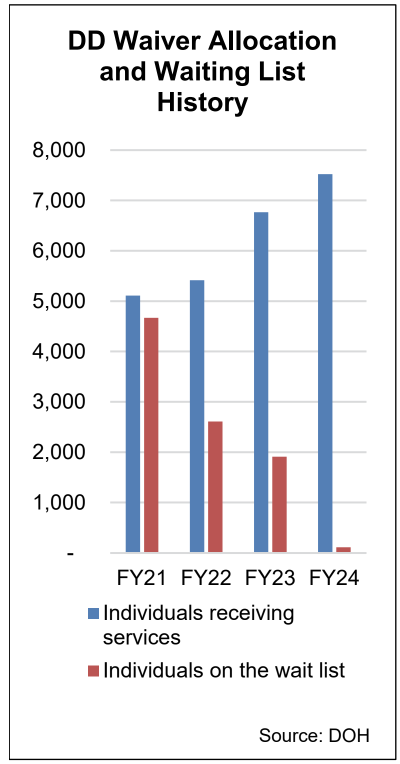
The Developmental Disabilities Supports Division (DDSD) administers a system of person-centered community supports and services that promotes positive outcomes for all stakeholders. DDSD is the primary state agency that funds community services and supports for people with disabilities and their families in New Mexico.

Budget: $204,041.7 **FTE:** 192

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of adults between ages twenty-two and sixty-two served on a developmental disabilities waiver (traditional or mi via) who receive employment supports	9.8%	9.5%	27%	9%	R
Percent of general event reports in compliance with general events timely reporting requirements (two-day rule)	85%	90%	86%	92%	G

Budget: $204,041.7 **FTE:** 192

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of developmental disabilities waiver applicants who have a services plan and budget in place within ninety days of income and clinical eligibility determination	96%	87%	95%	76%	R
Program Rating	R	Y			Y



Health Certification and Oversight

The Health Certification Licensing and Oversight Division ensures healthcare facilities, community-based Medicaid waiver providers, and community support services deliver safe and effective healthcare and community services in accordance with laws, regulations, and standards of practice.

Budget: $20,335.7 **FTE:** 203

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
CMS: Percent of nursing home survey citation(s) upheld when reviewed by the Centers for Medicare and Medicaid Services and through informal dispute resolution process	88%	97%	90%	96%	G
IDR: Percent of nursing home survey citation(s) upheld when reviewed by the Centers for Medicare and Medicaid Services and through informal dispute resolution process	57%	51%	90%	66%	R
Percent of abuse, neglect, and exploitation investigations completed according to established timelines	95%	95%	95%	80%	R
Program Rating	Y	Y			Y

Aging and Long-Term Services Department

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

The Aging and Long-Term Services Department (ALTSD) reported some improvement in performance at the close of FY24. 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

At the close of FY24, the Aging and Disability Resource Center (ADRC) received between 8,000 to 10 thousand calls each quarter. This volume is consistent with the end of FY23 but remains lower than prepandemic levels. The ADRC operated with between 2 FTE and 5 FTE vacant during the fiscal years. One ADRC counselor is specifically dedicated to handling appointments, walk-ins, callbacks, and overflow.

Budget: $5,185.7 **FTE:** 48

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of calls to the Aging and Disability Resource Center that are answered by a live operator	52%	81%	90%	73%	R
Percent of calls to the Aging and Disability Resource Center that are resolved in a single contact	New	New	90%	73%	R
Percent of customers satisfied with the outcome of their call to the Aging and Disability Resource Center	New	New	90%	96%	G
Percent of residents who remained in the community six months following a nursing home care transition	86%	98%	90%	99%	G
Percent of individuals provided short-term assistance that accessed services within 30 days of a referral from options counseling	81%	84%	92%	93%	G
Percent of facilities visited monthly	32%	52%	40%	56%	G
Percent of ombudsman complaints resolved within 60 days	99%	100%	99%	98%	G
Program Rating	R	Y			Y

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

Adult Protective Services

The Adult Protective Services Program (APS) began reporting on repeat maltreatment substantiations in FY21. This performance measure assists the state in assessing the effectiveness of the program in preventing maltreatment. At the close of FY24, for the first time the program continued to report an instance of repeat self-neglect but fell well below the performance target. Additionally, the program reported an increase in the number of investigations and may reach annual targeted performance.

Budget: $14,408.8 **FTE:** 128

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of Adult Protective Services investigations of abuse, neglect, or exploitation	5,550	6,863	6,150	7,632	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

Budget: $14,408.8 **FTE:** 128

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of repeat abuse, neglect, or exploitation cases within six months of a substantiation of an investigation	0%	0%	2%	.5%	G
Number of outreach presentations conducted in the community within adult protective services' jurisdiction	180	409	180	437	G
Percent of contractor referrals in which services were implemented within two weeks of the initial referral	60%	72%	80%	71%	R
Number of referrals made to and enrollments in home care and adult daycare services as a result of an investigation of abuse, neglect, or exploitation	238	147	400	248	R
Percent of priority two investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed timeframes	98%	99%	98%	99%	G
Percent of consumers for whom referrals were made, that accessed services and remained in a community setting for six or more months.	New	New	90%	95%	G
Program Rating	R	Y			Y

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

Aging Network

The Aging Network met targeted performance for the hours of caregiver support for FY24, previously the program had struggled to meet pre-pandemic levels. Services included in this measure are home care, adult daycare, respite care, and counseling and support groups. The department reported the number of hours of caregiver support were 72.8 thousand hours of respite care, 75.8 thousand of adult daycare, 65.4 thousand hours of homemakers, and 8.9 thousand hours of other support services. Additionally, in FY22 and FY23, the federal government allowed flexibility to include grab and go meals in the home-delivered meals category which significantly increased the reported number of meals. In FY24 this flexibility ended with the expiration of the pandemic emergency.

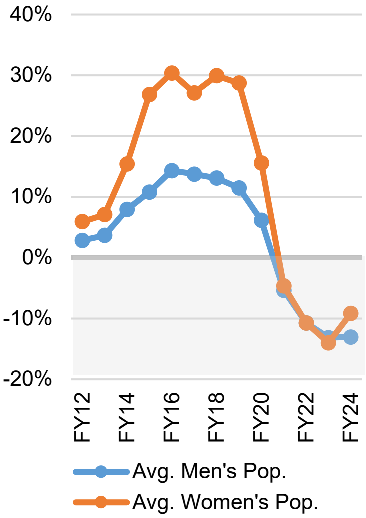
Budget: $45,535.0 **FTE:** 18

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of older New Mexicans receiving congregate and home-delivered meals through Aging Network programs that are assessed with "high" nutritional risk	15%	17%	17%	20%	G
Number of hours of services provided by senior volunteers, statewide	733,910	472,250	745,000	454,772	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	802	764	800	986	G
Number of meals served in congregate and home-delivered meal settings	4,443,066	4,105,279	4,430,000	4,020,390	R
Number of transportation units provided	136,426	223,938	300,000	265,565	R
Number of hours of caregiver support provided	167,701	196,246	167,000	222,922	G
Program Rating	R	R			Y

Corrections Department

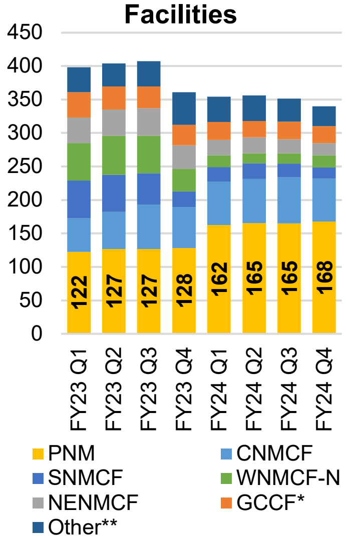
ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

New Mexico Prison Population
Indexed to FY09



Source: NMSC, LFC files

Estimated Vacant Correctional Officer Positions at Public Facilities



*GCCF was not publicly operated until partway through FY22 Q2.
**Includes RCC, SNMCF, and WNMCF-S; WNMCF-S was not publicly operated until partway through FY22 Q3.

Source: SPO Organizational Listing

The Corrections Department (NMCD) made significant progress toward several of its performance targets in FY24. The agency successfully reduced vacancy rates and turnover among correctional officers 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 and saw the average number of cases per officer decline. Prison populations appear to be leveling off after several years of consistent decline.

Inmate Management and Control

The state's inmate population has plunged since 2018, falling more than 23 percent between FY19 and FY24. Recent increases in admissions for new offenses suggest the population is likely to stabilize in the near future. The New Mexico Sentencing Commission's August 2023 prison population projection estimated total prison populations would average 5,398 over FY24, but actual data shows average populations of approximately 5,579, a 0.6 percent increase from FY23. This increase was primarily due to a 5.7 percent increase in the women's population between July 2023 and June 2024. Men's prison populations are projected to fall an average of 2.9 percent between FY24 and FY25, but the commission anticipates women's prison populations will continue to rise during FY25 as more individuals are charged in the 2nd Judicial District and these cases resolve.

Staffing. Low populations enabled NMCD to adjust facility occupancy to align with staffing levels, despite high vacancy rates. However, this has not been possible at all facilities. About 25.3 percent of the agency's total positions were unfilled as of June 1, and public and private correctional officer vacancies declined by approximately two percent each to 30 percent and 32 percent, respectively, for FY24. Vacancy rates have declined notably at several facilities, with vacancies at the Southern New Mexico Correctional Facility decreasing 3 percent between July 2023 and June 2024 and vacancy rates at the Roswell Correctional Center decreasing 13 percent in the same period. The most notable reduction occurred at Northeast New Mexico Correctional Facility, with a 19 percent decrease in vacancies since July 2023.

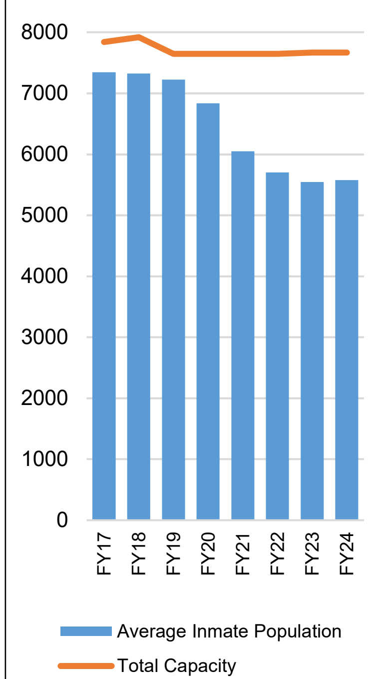
Budget: $292,538.7 **FTE:** 1,857

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Staffing					
Vacancy rate of correctional officers in public facilities.	29.2%	32.3%	20%	29.8%	R
Vacancy rate of correctional officers in private facilities	31.6%	33.8%	20%	31.9%	R
Percent turnover of correctional officers in public facilities*	15.8%	12.2%	N/A	15.2%	
In-House Parole					
Average number of male inmates on in-house parole	66.9	59.6	65	39.2	G
Average number of female inmates on in-house parole	6.4	3.9	5	2	G

Budget: $292,538.7 **FTE:** 1,857

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Prison Violence					
Number of inmate-on-inmate assaults resulting in injury requiring off-site medical treatment	4	7	12	13	Y
Number of inmate-on-staff assaults resulting in injury requiring off-site medical treatment	4	4	3	2	G
Health					
Percent of random monthly drug tests administered to at least 10 percent of the inmate population that test positive for drug use*	3.2%	1.4%	N/A	2.1%	
Percent of standard healthcare requirements met by medical contract vendor	95%	99%	98%	98%	G
Percent of inmates treated for hepatitis C with undetectable viral loads 12 weeks post-treatment	90%	85%	95%	77%	R
Percent of HIV positive inmates with undetectable viral loads	81%	100%	95%	100%	G
Prison Operations					
Percent of inmate grievances resolved informally*	82.7%	72.7%	N/A	76.9%	
Number of escapes*	1	0	N/A	0	
Program Rating	R	Y			Y

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



NMCD Population and Facility Capacity

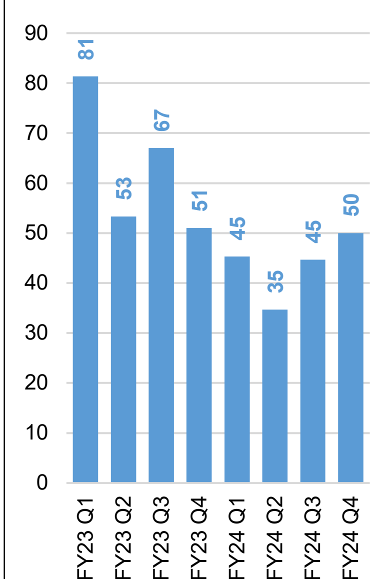
Source: NMSC, LFC files.

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. Recidivism due to new offenses rose from 17 percent in FY23 to 18 percent in FY24. 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.

Programming. One of the highlights of FY24 for NMCD was its success in maintaining the number of eligible students who completed adult basic education, and the record number of students (236) who earned their high school equivalency credential. The agency remained committed to increasing the availability of these programs, and the results indicate these efforts have been largely successful.

NMCD continues to increase the proportion of funding it directs to evidence- and research-based programs in FY24. However, a recently released study of the inmate classification system used by NMCD cited evidence of overclassification of some inmates based on the availability of medical and behavioral health services at certain facilities. LFC previously raised concerns about completion rates among participants in certain evidence-based programs that can be affected by the disparate availability of programming and services at some facilities. NMCD reported recently adjusting its classification policy based on recommendations from this study; these changes should allow for more appropriate placement of certain inmates. LFC staff are working with the agency to monitor progress and learn more about the impact of these changes.



Estimated Number of Release-Eligible Inmates Incarcerated Past Release Date by Quarter

Source: NMCD, LFC files

Budget: $22,970.2 **FTE:** 130

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Recidivism					
Prisoners reincarcerated within 36 months	37%	36%	35%	39%	Y
Prisoners reincarcerated within 36 months due to new charges or pending charges	16%	17%	14%	18%	Y
Prisoners reincarcerated within 36 months due to technical parole violations	22%	19%	20%	21%	Y
Percent of sex offenders reincarcerated on a new sex offense conviction within 36 months of release on the previous sex offense conviction	0%	4%	3%	3%	G
Graduates from the residential drug abuse program who are reincarcerated within 36 months of release*	22%	19%	N/A	15%	
Graduates from the men's recovery center who are reincarcerated within 36 months*	18%	11%	20%	22%	Y
Graduates from the women's recovery center who are reincarcerated within 36 months*	18%	11%	20%	24%	Y
Education					
Percent of eligible inmates enrolled in educational, cognitive, vocational, and college programs	45%	51%	60%	58%	Y
Percent of eligible inmates who have completed adult basic education*	10%	15%	N/A	56%	
Number of inmates who earn a high school equivalency credential	82	184	145	236	G
Percent of eligible students who earn a high school equivalency credential	8%	16%	80%	56%	Y
Program Rating	Y	G			Y

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

Community Offender Management

Vacancy rates among probation and parole officers decreased to 17 percent in FY24, down from 19 percent in FY23, while the average caseload per officer decreased from 84 per officer to 76. NMCD reports 27 percent of absconders were apprehended in FY24, which represented a 2 percent improvement from FY23. Research suggests offenders with unstable employment or housing and those struggling with substance use disorder are more likely to abscond.

In FY24, the Security Threat Intelligence Unit (STIU) conducted 22 fugitive apprehension operations across the state. The majority of these operations involved the assistance from other law enforcement agencies, including the New Mexico State Police, the U.S. Marshal Service, and various city police and sheriff's departments. During these operations, 159 high-risk offenders were apprehended, bringing the total number of offenders apprehended in FY24 to 1, 392.

Budget: $37,748.5 **FTE:** 359

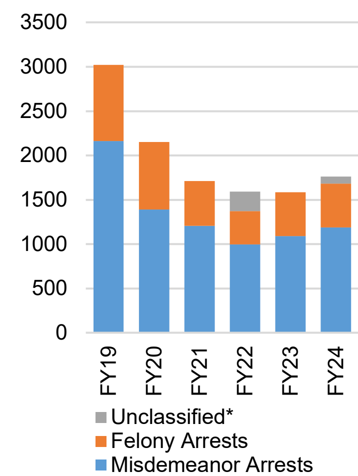
	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Average standard caseload per probation and parole officer	86	83	88	76	G
Vacancy rate of probation and parole officers	21%	19%	15%	17%	Y
Percent of absconders apprehended	24%	25%	30%	27%	Y
Program Rating	R	Y			Y

Department of Public Safety

The Department of Public Safety (DPS) successfully implemented many of the programmatic and structural changes outlined in its FY24 budget. Having received funding for pay increases to appropriately pay state police officers based on their years of service, increase dispatcher pay, and reduce vacancies, DPS partnered with the State Personnel Office to put these changes in place. The agency also continued to add staff for the new Law Enforcement Standards and Training Council and the Law Enforcement Certification Board. Workforce issues are pervasive across the criminal justice system, leading to reduced enforcement of crimes and slower case adjudications. DPS worked to reduce vacancies in several key areas while working with the Department of Finance and Administration to begin rolling out funding from the law enforcement protection fund to other law enforcement agencies throughout New Mexico.

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

Average Quarterly NMSP Arrests
FY19 to FY24 YTD



*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

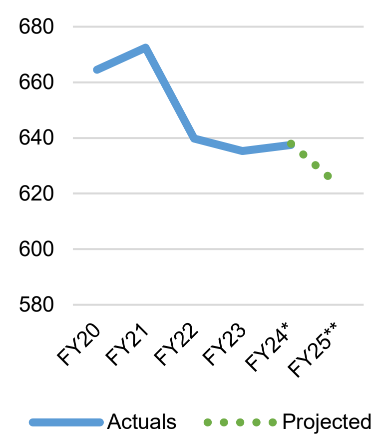
The State Police (NMSP) continued to reduce the incidence of crime and fear of crime in New Mexico by conducting enforcement activities, partnering with other law enforcement agencies, and investigating criminal activity throughout the state.

Operations. The Law Enforcement Program improved actionable data and intelligence related to crime by implementing a new records management system (RMS) and is 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.

NMSP began reporting on clearance rates for crimes investigated by the criminal investigations bureau, broken out by the type of crime, for the first time. Although cases can take multiple quarters, sometimes several years, from assignment to closure and clearance, this will provide a helpful window into agency operations and efficiency.

Manpower. State Police averaged 638 officers in FY24, with a 12 percent overall vacancy rate and an 11.5 percent vacancy rate among positions supported by the general fund. In FY24, DPS received a $2 million appropriation to increase state police officer pay, which has allowed the agency to properly place personnel in the correct pay rank step based on their years of service. However, NMSP projects it will have an average of 623 commissioned officers in FY25, which is down about 4 percent from the end of FY23.

State Police Force Strength



Note:
*Reflects average force strength based on force strength at the end of each quarter.
**Projected by DPS for FY25 Q1 to Q4.

Source: DPS

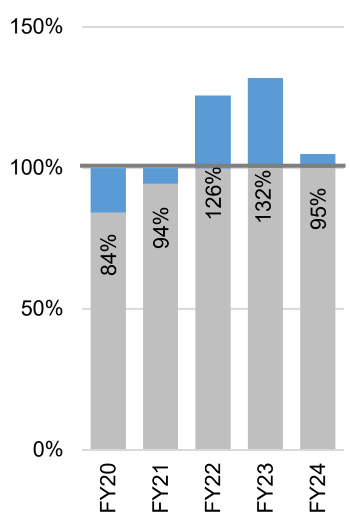
Budget: $156,488.3 **FTE:** 1072.3

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Motor Vehicle Safety					
Number of data-driven traffic-related enforcement projects held	2,074	4,142	2,600	3,781	G
Number of driving-while-intoxicated saturation patrols conducted	2,805	2,588	3,000	3,030	G
Number of driving-while-intoxicated arrests*	1,450	1,641	N/A	2,277	
Number of New Mexico State Police misdemeanor and felony arrests*	6,375	6,340	N/A	7,044	

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, 78 percent of the state's 130 law enforcement agencies were reporting to the system, covering 86 percent of the population. Although, 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.

Percent of Forensic Cases Completed



Note: Percentage indicates the share of total forensic cases received that were completed.

Source: DPS

Budget: $156,488.3 **FTE:** 1072.3

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of commercial motor vehicle safety inspections conducted	102,972	114,539	90,000	122,768	G
Number of commercial driver and vehicle out-of-service violations issued*	New	16,831	N/A	15,087	
Number of motor carrier safety trainings completed*	24	41	N/A	25	
Number of proactive special investigations unit operations to reduce driving-while-intoxicated or alcohol-related crimes*	488	1,088	N/A	1,521	
Investigations					
Number of investigations conducted by criminal investigation bureau agents*	592	390	N/A	464	
Percent of total crime scenes processed for other law enforcement agencies*	66%	49%	N/A	30%	
Number of drug-related investigations conducted by narcotics agents*	860	458	N/A	536	
Number of illegally possessed firearms seized as part of criminal investigations*	180	90	N/A	70	
Number of violent repeat offender arrests by the fugitive apprehension unit*	219	230	N/A	401	
Clearance rate of crimes against persons investigated by the criminal investigations bureau*	New	New	N/A	58%	
Clearance rate of crimes against property investigated by the criminal investigations bureau*	New	New	N/A	40%	
Clearance rate of crimes against society investigated by the criminal investigations bureau*	New	New	N/A	33%	
Clearance rate of homicide cases investigated by the criminal investigations bureau*	New	New	N/A	77%	
Total cases investigated by the New Mexico State Police*	New	1,832	N/A	3,140	
Other Law Enforcement Activity					
Percent of total New Mexico State Police special operations deployments for other law enforcement agencies	28%	35%	N/A	38%	
Number of crisis intervention cases handled*	21	283	N/A	327	
Number of community engagement projects in counties with populations less than 100 thousand	125	198	N/A	121	
Number of governor-ordered special deployment operations conducted*	3	3	N/A	7	
Number of man-hours spent on governor-ordered special deployment operations*	26,508	4,746	N/A	18,381	
Recruitment and Retention					
Graduation rate of the New Mexico state police recruit school*	54%	66%	N/A	54%	
Turnover rate of commissioned state police officers*	10.87	7.08	N/A	8.2	
Vacancy rate of commissioned state police officers*	12%	12%	12%	12%	
New Mexico state police transportation inspector vacancy rate*	11%	7%	8%	10%	
New Mexico state police dispatcher vacancy rate*	37%	36%	27%	23%	
Program Rating	R	G			G

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

Statewide Law Enforcement Support Program

The Statewide Law Enforcement Support program made steady progress toward fulfilling its performance goals for FY24. DPS worked with multiple other law enforcement agencies to validate and begin reporting to the National Incident-

Based Reporting System (NIBRS), including bringing NMSP into the reporting system. Finally, the Law Enforcement Academy (LEA) began supporting the newly created standards and training council and law enforcement certification board.

Crime Reporting. DPS reports the percentage of law enforcement agencies reporting to NIBRS climbed from 63.8 percent in FY23 to 77.6 percent to end FY24. This will help public safety and judicial agencies make more data-driven decisions and allowed New Mexico to come off the list of states for which the FBI has been unable to estimate crime data. Lack of reporting had previously made it impossible to accurately understand crime trends in the state because 2021 marked the first year the FBI's national crime statistics relied solely on information provided via NIBRS.

Law Enforcement Agencies NOT Reporting

Agency Name
Bernalillo Police Department
Cuba Police Department
Deming Police Department
Estancia Police Department
Loving Police Department
Melrose Police Department
Red River Police Department
Socorro Police Department
Tularosa Police Department
Questa Police Department
NM Highlands University Police Department
Harding County Sheriff's Office
Los Alamos County Sheriff's Office
Roosevelt County Sheriff's Office
Taos County Sheriff's Office

Source: DPS

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 worked to support the newly established Standards and Training Council as it creates administrative rules related to training requirements, curricula, and methods, professional development programs, and performance standards for law enforcement and public safety dispatchers. LEA brought on a new director who has spent time working in conjunction with the Standards and Training Council to update the training curriculum and hire staff. The academy is also working to finish its buildout of a new training track and complete several deferred maintenance projects in between academy classes.

Law Enforcement Certification Board. In FY24, the board has worked to develop and implement a publicly available database containing outcomes of misconduct investigations that result in the dismissal, denial, suspension, or revocation of a police officer or public safety dispatcher certification. The board began filling the several of the newly created staff positions, of which 75 percent are currently vacant. The board is responsible for issuing certifications for all law enforcement officers and dispatchers and for receiving, investigating, and adjudicating allegations of misconduct among the approximately 8,000 licensed individuals statewide. The board successfully reduced the average time to adjudicate complaint cases from over 1,100 days to around 300.

Forensic Laboratory. The newly opened forensic lab in Santa Fe saw its vacancy rate climb to 40 percent, up from 29 percent, due to several the addition of expansion positions over the last two fiscal years. An increase in the number of sexual assault examinations kits not completed within six months of receipt was a troubling development. However, the agency finalized the forensic scientist pay plan with the help of the State Personnel Office and is currently in the process of onboarding several new scientists. The laboratory noted a significant increase in qualified applicants since the recent pay plan implementation.

Budget: $33,100.3 **FTE:** 212

Crime Reporting	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of crimes against persons reported in the National Incident Based Reporting System by participating law enforcement agencies statewide*	3,045	18,815	N/A	23,752	

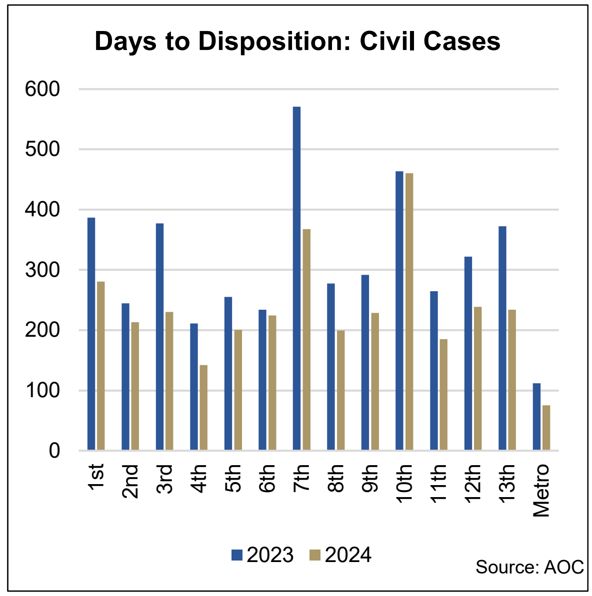
Number of crimes against property reported in the National Incident Based Reporting System by participating law enforcement agencies statewide*	15,286	44,272	N/A	49,459	
Number of crimes against society reported in the National Incident Based Reporting System by participating law enforcement agencies statewide*	1,614	12,350	N/A	10,303	
Number of expungements processed*	New	500	N/A	383	
Percent of law enforcement agencies reporting to the National Incident Based Reporting System*	New	63.8%	75%	76%	G
Law Enforcement Academy					
Percent of non-state police cadets who graduated from the law enforcement academy through certification by waiver*	98%	100%	N/A	98.1%	
Percent of non-state police cadets who graduated from the basic law enforcement academy*	73.3%	76%	N/A	75%	
Graduation rate of telecommunication students from the law enforcement academy*	97.6%	100%	N/A	98.8%	
Law Enforcement Certification Board					
Percent of complaint cases reviewed and adjudicated annually by the New Mexico Law Enforcement Certification Board*	130.3%	76.3%	N/A	48.6%	
Number of complaint cases adjudicated*	86	74	N/A	54	
Number of complaint cases received*	66	97	N/A	111	
Average age of outstanding complaint cases at the close of the fiscal year, in days*	New	212	N/A	231	
Average time to adjudicate complaint cases, in days*	New	1,141	N/A	300	
Number of certifications issued	New	565	400	535	G
Forensics Laboratory					
Percent of forensic cases completed	125.6%	129.4%	100%	94.9%	Y
Number of sexual assault examination kits not completed within 180 days of receipt of the kits by the forensic laboratory	0	0	0	259	R
Forensic scientist and forensic technician vacancy rate*	25%	29.6%	N/A	40.1%	
Program Rating	R	G			Y

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

Courts and Judicial Agencies

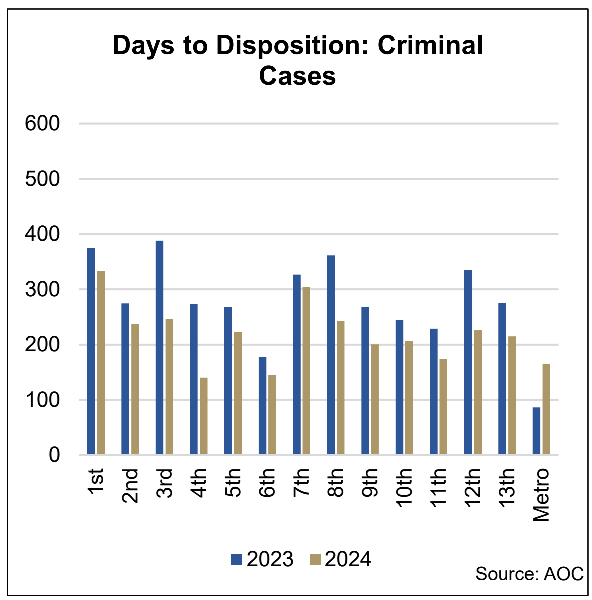
ACTION PLAN	
Submitted by agency?	No
Timeline assigned by agency?	No
Responsibility assigned?	No

Positive performance trends within courts and justice seen throughout FY24 have largely continued. Courts reached the performance target for clearance rates while also reducing their time to disposition (the duration a court takes to resolve a case from when it is filed until it is concluded). District attorneys decreased average attorney caseloads, especially in districts with chronic recruitment and retention issues. The Public Defender Department maintained positive adjudication rates despite issues with recruiting and retaining attorneys, especially contract attorneys. Specialty courts are being utilized more than before, but capacity is significantly less than prepandemic levels, and capacity may need to be expanded if utilization trends continue. Cybersecurity incidents continue to plague the judiciary, with the Administrative Office of the District Attorneys and the Public Defender Department experiencing separate incidents in FY24.



Courts

Administrative Support. The average time to disposition for criminal cases was 221 days for FY24, improving by 56 days from FY23 and 159 days better than the measure's target for FY24. Courts clearance rates concluded the year at 100 percent for FY24, matching the measure's target. Clearance rates in the second and third quarter were above 100 percent, but performance in the first quarter (96 percent) and the fourth quarter (99.8 percent) ultimately kept the measure at exactly 100 percent. The clearance rate indicates courts are keeping up with their incoming cases and not creating a backlog. Because the measure is at exactly 100 percent, it means the courts are not addressing case backlogs, if present, but not exacerbating the backlog either. With clearance rates at 100 percent and the time to disposition better than the target and improving FY23's performance, the courts are maintaining their ability to address incoming case issues and continue to provide timely justice. The age of pending criminal cases decreased by 99 days from FY23 to FY24 and was 91 days better than the measure's target. The positive trends throughout FY24 are all signs of a healthy and, presumably, improving judicial system. With their limited jurisdiction, magistrate courts and the Metropolitan Court continued to perform better than district courts for days to disposition in criminal cases.



The number of jury trials was 689 in FY24, decreasing slightly by 9 percent from FY23. While the year-over-year performance shows a small decrease, jury trials have increased by 33 percent since FY21, possibly indicating a return to prepandemic levels.

Budget: $16,346.4 **FTE:** 58.5

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Average cost per juror	$56.4	$58.3	$55	$66.3	Y
Number of jury trials for metro, district, and statewide courts*	574	760	N/A	689	N/A

How Capacity for Treatment Courts is Derived

Program capacity is driven by:

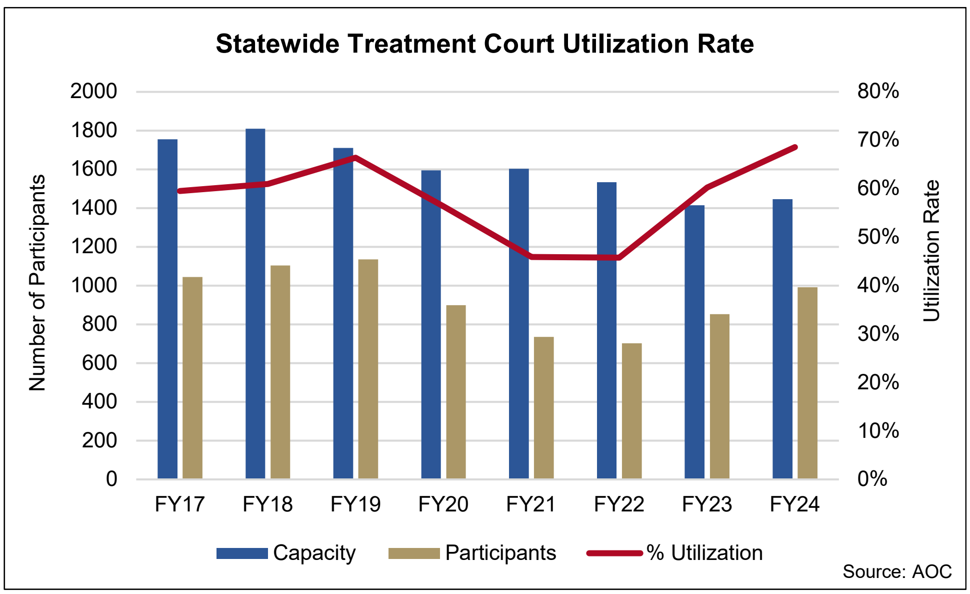
- Staff capacity to provide monitoring and support services for individuals in treatment,
- Capacity of local providers to deliver treatment and services,
- Treatment court judge's availability to hear these types of cases based on their regular docket size and complexity.

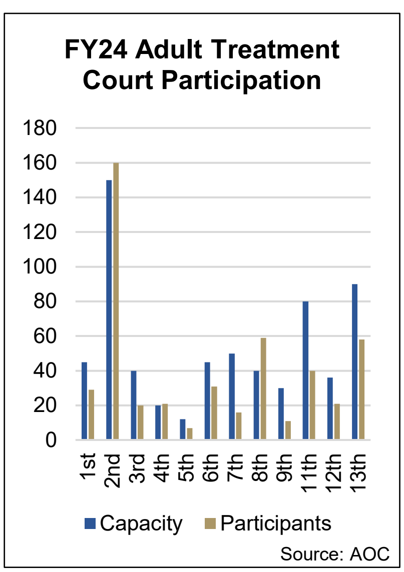
Budget: $16,346.4 **FTE:** 58.5

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Average interpreter cost per session	$64.1	$73.6	$150	$76.2	G
Percent of supervised defendants who make all scheduled court appearances	NEW	74%	N/A	73%	G
Percent of supervised defendants who are not charged with a new offense during the pretrial stage	NEW	80%	N/A	73%	
Age of active pending criminal cases in days	524	375	367	276	G
Days to disposition in criminal cases	145	277	380	221	G
Cases disposed as a percent of cases filed	101%	120%	100%	100%	G
Program Rating	Y	Y			G

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

Special Court Services. The Legislature has prioritized treatment courts, an evidenced-based practice, in the last several years. While underutilization has continued, FY24 figures show signs of reversing past trends through various programs being at or overcapacity, especially for DWI and adult treatment courts. Overall utilization of treatment courts for FY24 was around 69 percent, but a mix of adult and DWI treatment courts and a young adult treatment court (2nd Judicial District) from the 1st, 2nd, 4th, 8th, 11th and 13th judicial districts were over capacity. Additionally, of the districts at over capacity, the 2nd Judicial District's young adult treatment court has the largest capacity at 60 participants and the other districts range from 15 to 25 participants. While utilization has been increasing throughout FY24, capacity has been on the decline, although the courts have added two new treatment programs in the 4th and 11th judicial districts during FY24. Prioritizing capacity building for treatment courts, especially those districts dealing with capacity issues, would allow more individuals to receive service and help treatment providers and court staff with their workload. Drug and DWI court recidivism rates have increased since FY23 but continue to be lower than recidivism for individuals leaving jails and prisons. While drug court graduation rates remain above the FY23 average, DWI court graduation rates are below FY23 and well below the target.





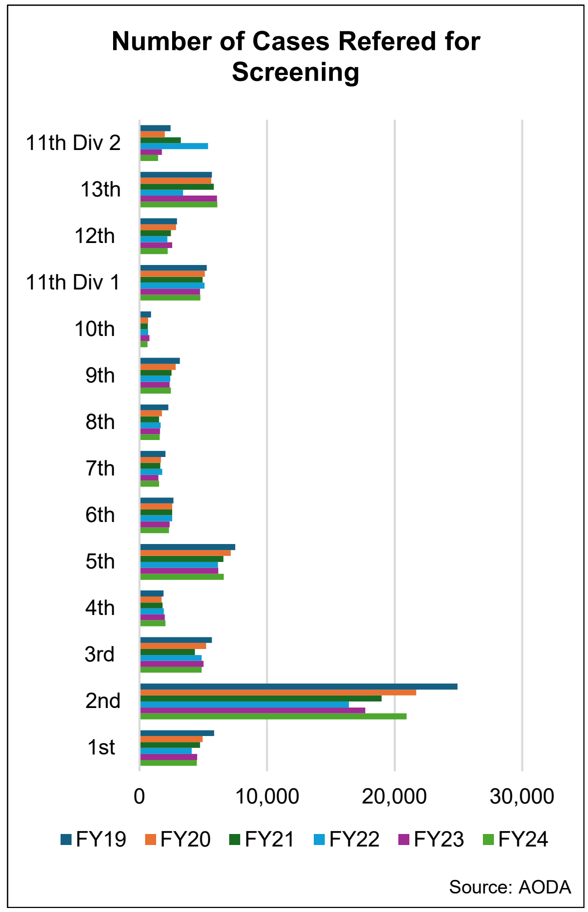
The percentage of defendants not charged with a new violent crime during the pretrial process was 92 percent, a 3 percent decrease from FY23. The percentage of defendants who make all their scheduled appearances finished at 73 percent, an 8 percentage point decrease from FY23. While both measures declined slightly in FY24, overall, they remained relatively flat, indicating a functioning pretrial system.

Budget: $20,208.8 **FTE:** 47.66

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Cases to which CASA volunteers are assigned*	1,448	507	N/A	436	N/A
Monthly supervised child visitations and exchanges conducted	12,012	11,181	N/A	10,129	G
Average time to completed disposition in abuse and neglect cases, in days*	148	153	N/A	157	N/A
Recidivism rate for drug-court participants	14%	9.8%	12%	11.8%	G
Recidivism rate for DWI-court participants	6.1%	5.3%	12%	8.1%	G
Graduation rate for drug-court participants*	59.2%	53.6%	90%	61.0%	G
Graduation rate for DWI-court participants*	89.5%	78.6%	90%	66.8%	R
Cost per client per day for all drug-court participants*	$37.10	$40.10	N/A	$34.13	N/A
Program Rating	Y	Y			G

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

District Attorneys

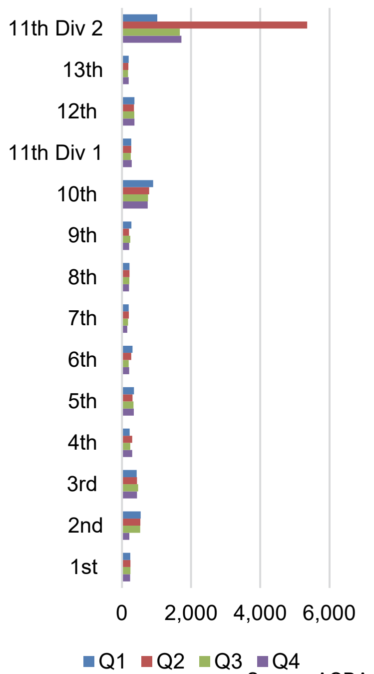


Recruiting and retaining attorneys continues to be an issue for district attorney offices, especially in rural parts of the state. Statewide, prosecutors and defenders report seeing felonies as an increasing share of their caseloads. The felony-heavy caseloads, coupled with decreasing share of misdemeanors, require more time per case and may require modified measures to fully understand attorney workload. While new performance measures, like average attorney caseloads, are informative, the makeup of those caseloads is equally important. Until a more complete understanding of district attorneys' workloads and conviction rates based on case type is available, efforts to understand how district attorneys are performing remain opaque.

In FY24, district attorneys began reporting average attorney caseloads, which will help discern trends in prosecution caseloads. The new metric for caseload numbers do not distinguish the types of cases in a caseload, allowing the measure to be easily misinterpreted because of lack of context; e.g., a district attorney may have a higher caseload but mostly noncomplex cases, which can be handled efficiently. The highest average attorney caseload, for FY24, was Division 2 of the 11th district, finishing at 2,444. The average caseload for Division 2 however, has decreased by more than half since the second quarter where there was a spike in attorney caseload numbers, due to, in part, an increase in attorney vacancies. The 10th Judicial District Attorney also experienced a spike in caseload in the first quarter of FY24, wherein the office had an average caseload of 904. Positive trends throughout FY24 and after the first quarter for the 10th Judicial District Attorney resulted in an average caseload of 799 for FY24.

In FY24, the average number of cases added to attorney caseloads increased slightly from FY23 to 92 but was still well below its target. Growing caseloads and decreases in attorney retention at some district attorney's offices continues to be a concern and presents a worrying reality for the agencies and their ability to fulfill their statutory duty.

Average Attorney Caseload FY24



Source: AODA

Budget: $103,928.4 **FTE:** 1,032

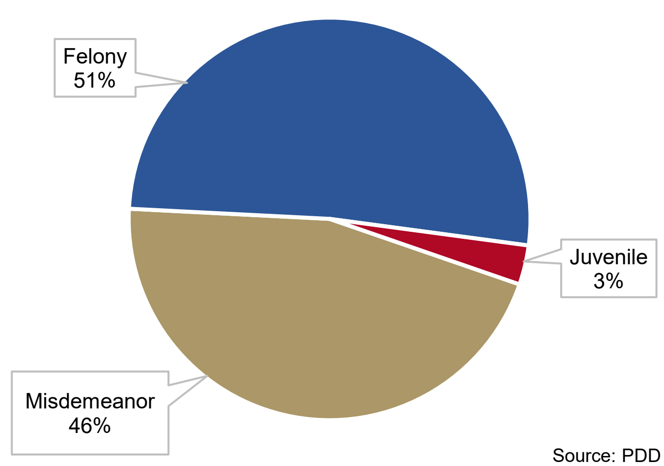
	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Average number of cases added to attorney caseloads	92	89	200	92	
Number of Cases Referred for Screening*	60,503	58,603	N/A	61,982	
1st District	4,731	4,105	N/A	4,504	
2nd District	19,039	16,434	N/A	20,929	
3rd District	4,365	5,174	N/A	4,875	
4th District	1,812	1,914	N/A	2,037	
5th District	6,584	6,147	N/A	6,603	
6th District	2,610	2,593	N/A	2,300	
7th District	1,654	1,796	N/A	1,526	
8th District	1,544	1,683	N/A	1,591	
9th District	2,513	2,412	N/A	2,451	
10th District	661	683	N/A	616	
11th Division I.	4,955	5,133	N/A	4,771	
11th District Div. II	2,327	2,172	N/A	1,461	
12th District	2,459	2,678	N/A	2,217	
13th District	5,836	6,139	N/A	6,101	
Program Rating	G	G			G

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

Public Defender

Like other criminal justice partners, the Public Defender Department, PDD, has had to address difficulties in recruiting and retaining legal professionals in rural areas. PDD reported three rural offices Carlsbad, Aztec, and Ruidoso with 50 percent vacancy rates. PDD noted the Ruidoso office will be down to one attorney at the beginning of FY25, and PDD does not anticipate an easy hiring process for Ruidoso due to the ongoing housing shortage exacerbated by the fire and flooding in the area. However, in FY24, the agency has demonstrated the ability to tackle the issue in relation to support staff. The agency reported an overall vacancy rate of 12.2 percent, 4.7 percent for support staff and 19.3 percent for in-house attorneys. Vacancies for support staff declined by about 5 percent from FY24, while vacancy rates for attorneys remained relatively flat. Average cases assigned to in-house attorneys increased to 347 cases, a 12 percent increase over FY23.

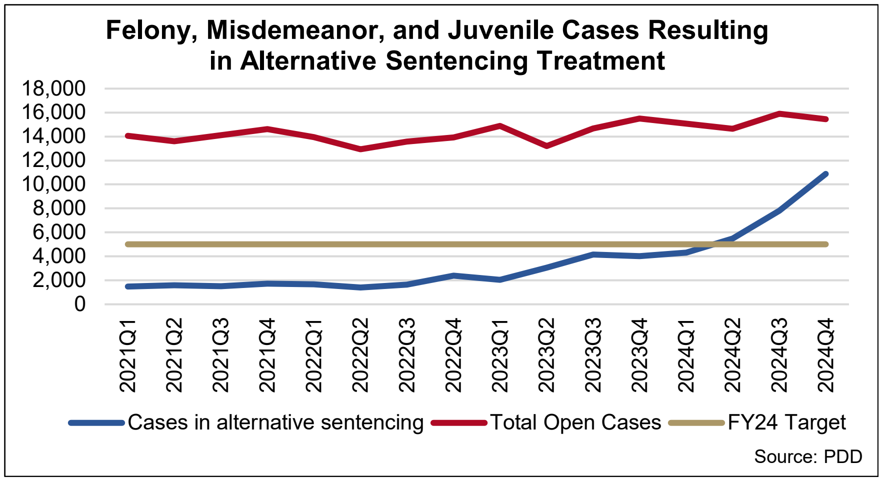
FY24 PDD Total Closed Cases by Type



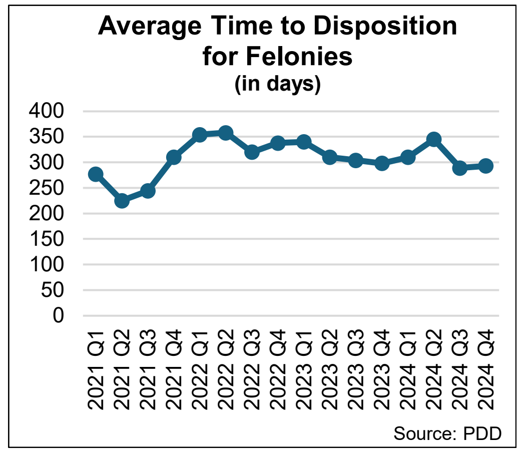
Source: PDD

Like district attorney offices, PDD reports a changing mix of case types, with an increasing share of felony cases and a decreasing share of misdemeanor cases. The number of felony cases assigned to in-house attorneys has increased by 46 percent since FY18 and 18 percent compared to FY23. This results in a more complex caseload that could extend the amount of time an attorney spends on each case. The changing mix also results in a higher attorney workload.

Fiscal year 2024 showed improvement in felony, misdemeanor, and juvenile cases that resulted in a reduction of charges for contract attorneys, reporting a 23 percent increase since FY21 and a 16 percent increase compared to FY23. This continues the positive development seen throughout FY24, and while slightly below the measure's target, the growth seen in FY24 could lead to reaching the target soon. Contract attorneys' percentage of the caseload remains steady at 34 percent. The number of felony, misdemeanor, and juvenile cases resulting in alternative sentencing treatment increased drastically compared to FY23, increasing by 15,263 cases, or 115 percent. While the total number of cases assigned to contract attorneys remains close to FY23 levels, the number of contract attorneys accepting cases continues to decline. Compared to FY19, PDD lost 24.5 contract attorney positions, a 21 percent reduction.



On June 27, 2024, PDD experienced a cybersecurity incident that affected typical workload, including how attorneys and staff handle trial preparation and hearings, communication, and access to historical data used to generate reporting in accordance with the Accountability in Government Act. Contract attorneys, who do not use PDD's network, were not as affected, and PDD notes, because of issues accessing historical data, any errors discovered in their performance measures will be corrected and noted in future reports.



Budget: $72,159.1 **FTE:** 496

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Felony, misdemeanor, and juvenile cases resulting in a reduction of original formally filed charges	44%	58%	65%	65%	G
In-house attorneys	45%	62%	65%	66%	G
Contract attorneys	41%	47%	65%	63%	G
Felony, misdemeanor, and juvenile cases resulting in alternative sentencing treatment	7,090	13,260	20,000	28,523	G
In-house attorneys	5,333	9,774	16,000	20,173	G
Contract attorneys	1,837	1,000	4,000	8,350	G
Cases assigned to contract attorneys*	34%	37%	N/A	34%	N/A
Average time to disposition for felonies, in days*	336	324	N/A	313	N/A
In-house attorneys*	308	268	N/A	229	N/A
Contract attorneys*	363	380	N/A	399	N/A
Cases opened by Public Defender Department *	54,362	58,253	N/A	61,046	N/A
In-house attorneys*	33,637	36,775	N/A	39,145	N/A
Contract attorneys*	20,725	21,478	N/A	21,901	N/A
Program Rating	Y	G			G

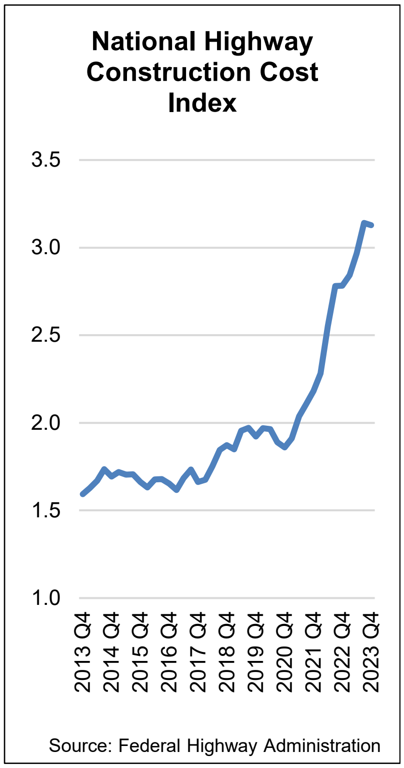
*Measure is classified as explanatory and does not have a target.

Department of Transportation

ACTION PLAN

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

The Department of Transportation (NMDOT reported deterioration in the quality of New Mexico's roads between 2022 and 2023. While most roads and bridges remain in fair or better condition, the number of miles of poor roadways has spiked from previous years, returning closer to historic averages. Only three-quarters of projects scheduled to be completed in FY24 were completed on-time, although budget overruns were moderate and below target. Traffic fatalities continue to be among the highest in the nation, despite falling from prior year highs.



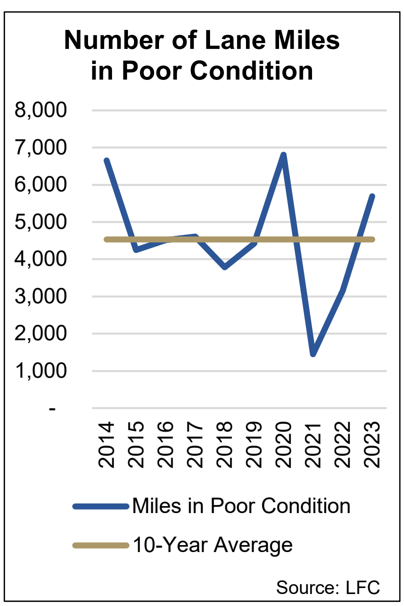
Project Design and Construction

While the department has improved its ability to put projects out to bid as scheduled over the long term, the department was unable to maintain the high performance benchmark from FY23. Of the 33 projects scheduled to go to bid in FY24, 30 were put to bid on time. Maintaining a consistent project schedule is a key goal of the department and allows the contracting community to appropriately plan for upcoming projects. However, the department has fallen short of its target for on-time completion of projects, with only 74 percent of projects completed on time.

Budget: $797,989.2 **FTE:** 370

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of projects let to bid as scheduled.	77%	98%	75%	91%	G
Percent of final cost-over bid amount.	1%	2%	3%	1%	G
Percent of projects completed according to schedule.	89%	85%	88%	74%	R
Program Rating	G	G			Y

Nationally, highway construction costs have climbed significantly in recent years, with cost escalations of more than 40 percent since December 2020. The department reports construction costs have climbed, but the department has typically been able to minimize cost overruns once a bid has been accepted. NMDOT reports final costs that were overbid amounts by 1 percent, below the agency's target of 3 percent.



Highway Operations

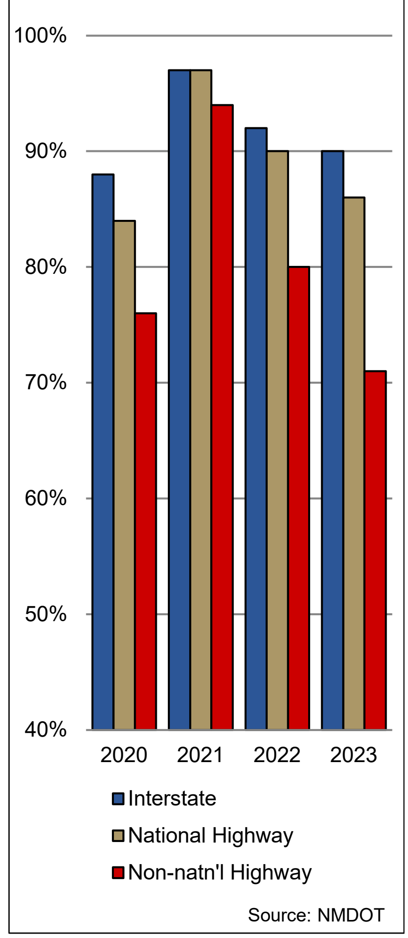
The department easily surpassed its annual performance targets for preserving highway pavement, setting a new high of more than 5,000 miles preserved. Overall, the number of bridges rated in better than poor condition remains better than the target of 95 percent. Recent changes to federal funding for bridge preservation have given the department access to additional federal funds to remediate the 4 percent of bridges currently listed in poor condition.

NMDOT's 2023 road survey shows worsening overall conditions of New Mexico's roads, particularly outside of New Mexico's interstates. For 2023, 5,696 miles of roadways were considered in poor condition, up from 3,155 in the 2022 survey. Worsening conditions were most notable off of the interstate highway system. While 90 percent of interstate highways remain in fair or better condition (down from 92 percent), 71 percent of highways outside the national highway system were in fair or better condition (down from 84 percent in 2022).

Budget: $321,021.5 **FTE:** 1,848.7

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of statewide pavement lane miles preserved.	4,373	3,390	3,500	5,023	G
Bridges in fair condition or better, based on deck area.	96%	96%	95%	96%	G
Program Rating	G	G			G

NMDOT assesses all New Mexico roads each calendar year using a pavement condition rating (PCR) score to measure roadway conditions. For calendar year 2023, road condition data shows improvement from 2020, although slightly lower than in 2021. A PCR score of 45 or less indicates a road in poor condition. In 2023, the average PCR score for the state was 65, down from 65.9 in 2022 and 72.1 in 2021 but up from the 2020 score of 54.9.



2023 Road Condition Survey	2021 Actual	2022 Actual	2023 Target	2023 Actual	Rating
Interstate miles rated fair or better	97%	92%	91%	90%	Y
National highway system miles rated fair or better	97%	90%	86%	86%	G
Non-national highway system miles rated fair or better.	94%	84%	65%	71%	G
Lane miles in poor condition.	1,451	3,155	6,925	5,696	G
Program Rating	G	G			Y

Modal

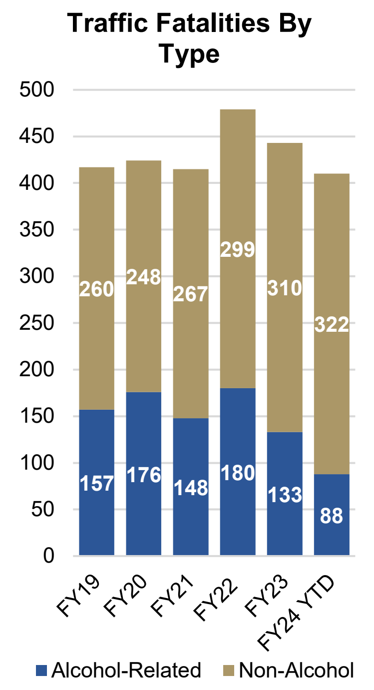
NMDOT's modal program, responsible for traffic safety initiatives, aviation, and transit programs, reported traffic fatalities that reflect a broader nationwide trend. To reduce traffic fatalities, experts point to the need to adopt a "safe systems approach," matching traffic law enforcement with safe roadway design to limit the number of fatalities.

The department recorded fewer fatalities in FY24 than in FY23 but still exceeded the target level of 400 fatalities per year. 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. According to the Insurance Institute for Highway Safety, there were 1.79 deaths per 100 million vehicle miles traveled, well above the national average of 1.37 deaths. Were the number of deaths in New Mexico to fall to the national average of 1.37 deaths per 100 million vehicle miles traveled, 114 fewer New Mexicans per year would be involved in fatal crashes.

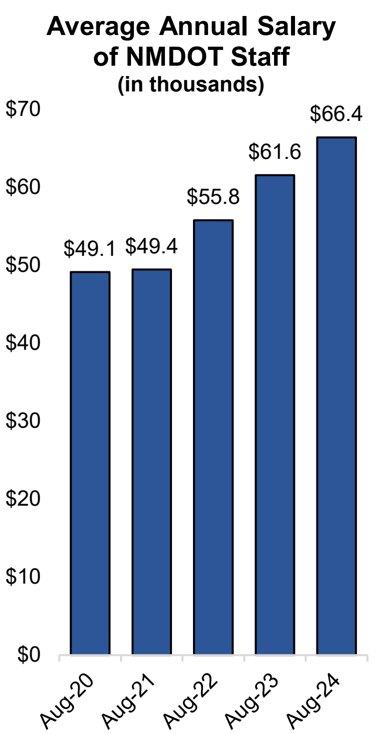
The number of alcohol-related fatalities remains below target, although initial reports may increase in subsequent quarters as NMDOT receives additional data.

Budget: $84,787.5 **FTE:** 115

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Traffic fatalities	479	443	400	410	R
Alcohol-related traffic fatalities	180	133	149	88	G
Non-alcohol-related traffic fatalities	299	310	250	322	R



Source: NMDOT



Source: LFC

Budget: $84,787.5 **FTE:** 115

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Occupants not wearing seatbelts in traffic fatalities	184	170	140	162	R
Number of pedestrian fatalities	107	93	85	102	R
Riders on park and ride, in thousands	100.4	142.1	235	165.9	R
Riders on the rail runner, in thousands*	317.2	545.9		593.7	
Program Rating	R	R			R

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

Program Support

The department's vacancy rate fell from the level seen in FY23 and remains below the statewide average vacancy rate. The department has focused on recruiting and retaining staff, including highway maintenance staff and the department's staff of engineering technicians and professional engineers. As a whole, the department's average pay was up by 7.8 percent between FY23 and FY24, more than double the 3 percent pay increase appropriated by the Legislature.

NMDOT reports departmental safety initiatives are reducing workplace injuries, which are on track to fall below the performance target and below the level from FY23. Of the 58 employee injuries, 25 occurred in a work zone, with work zone injuries rising from levels seen in FY22 and FY23. The department is undertaking safety initiative to protect workers in construction zones by partnering with the Department of Public Safety to ramp up enforcement of construction zone speed limits. Additionally, department staff indicate they are preparing legislation for the 2025 session to authorize the use of automated speed enforcement cameras in work zones. Research has shown a majority of crashes in work zones are speed related and reducing driver speed is key to protecting worker safety.

Budget: $56,647.4 **FTE:** 253.8

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Vacancy rate in all programs*	17%	20%		17%	G
Number of employee injuries.	45	31	75	58	G
Number of employee injuries occurring in work zones	17	4	25	25	Y
Program Rating	G	G			G

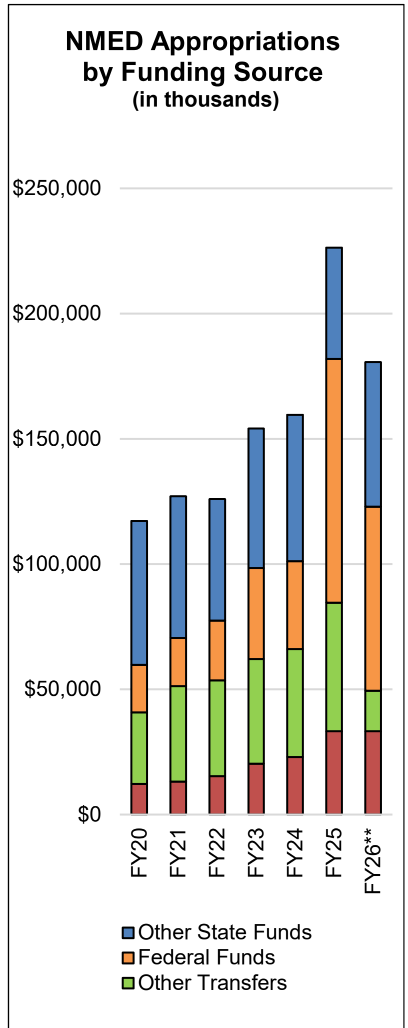
*Measure is classified as explanatory and does not have a target.

The majority of the Environment Department's (NMED) regulatory programs demonstrated positive gains in FY24. Further, NMED's vacancy rate, which at one point was as high as 25.6 percent this fiscal year, has now been reduced to 21.5 percent. The results from the Water Protection Division's Drinking Water Bureau, where the percent of New Mexican's being served safe and health drinking water has dropped by 7 percent over three years, is largely fueled by increased levels of regulation from the EPA and not by systems falling out of compliance. One of the few programs to lag behind the positive trend seen in the majority of NMED's programs, the Hazardous Waste Bureau, continued to be unable to meet the target of inspecting 15 percent of hazardous waste facilities. Despite this outlier, NMED used the significant investment by the Legislature to address its staffing and retention issues and has reversed the trend of lagging regulatory programs.

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

Water Protection

The Water Protection Division (WPD) continues to assist communities seeking to develop internal capacity to use state and federal funding for infrastructure improvement and water resource management. The Surface Water Quality Bureau completed all 20 inspections required in FY24. NMED believes obtaining authorization to take over the U.S. Environmental Protection Agency's oversight of discharge elimination systems and continuing to develop a state surface water discharge permitting program will significantly improve WPD's ability to protect the state's water resources. The bureau has filled three positions to develop a permitting program using two special appropriations from 2022 and 2023; however, the program is yet to be established. NMED monitors 707 groundwater permits across the state and conducted inspections on 58, or 8.2 percent. There is currently no regulatory requirement that establishes inspection frequency.



Source: LFC files

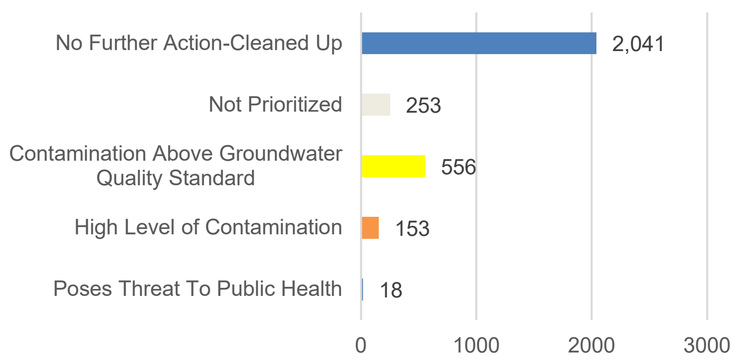
Budget: $62,511.4 **FTE:** 191.3

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of the population served safe and healthy drinking water	97%	89.8%	95%	89.5%	R
Percent of surface water permittees inspected	155%	145%	100%	100%	G
Percent of groundwater permittees inspected	21.1%	18.2%	65%	30.6%	R
Number of new water infrastructure projects	114	157	115	175	G
Program Rating	G	Y			Y

Resource Protection

The Resource Protection Division (RPD) exceeded two out of three of its inspection targets in FY24. The Solid Waste Bureau staff inspected a total of 98.8 percent of the solid and infectious waste facilities it monitors, a 45.5 percent jump from FY23. The bureau continues 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. Currently, RPD has a 30 percent vacancy rate.

In the fourth quarter of FY24, the Petroleum Storage Tank Bureau (PSTB) did not issue "no further action" (NFA) status for any sites and brought the total number of completed site cleanups to 2,041. NFA status signifies compliance with remediation standards, assuring no significant risk of harm to public health or the environment at the site. Notably, NFA status determinations are fluid throughout the year, based on specific site conditions, staffing levels, and the availability of funding from the corrective action fund. PSTB currently has proposed assessments totaling $160 thousand from the corrective action fund pending approval by the department for proposed work.



Petroleum Storage Tank Release Site Priority

Source: NMED files

The Hazardous Waste Bureau (HWB) monitors 2,495 hazardous waste generators in the state, though this number changes frequently. HWB has six positions focused on compliance and completed 93 inspections in FY24. The Hazardous Waste Bureau inspected a total of 3.7 percent of the hazardous waste facilities in FY24; the agency's goal is 15 percent. This continued trend of minimal inspection goes back to the pandemic and is due to a lack of funding and staff.

Budget: $18,653.4 **FTE:** 143.3

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of completed cleanups of petroleum storage tank release sites that require no further action	1,964	2,005	1,976	2,041	G
Percent of solid waste facilities and infectious waste management facilities inspected	47%	53.3%	85%	98.8%	G
Percent of hazardous waste facilities inspected	4%	3.7%	15%	3.7%	R
Program Rating	Y	R			Y

Environmental Protection

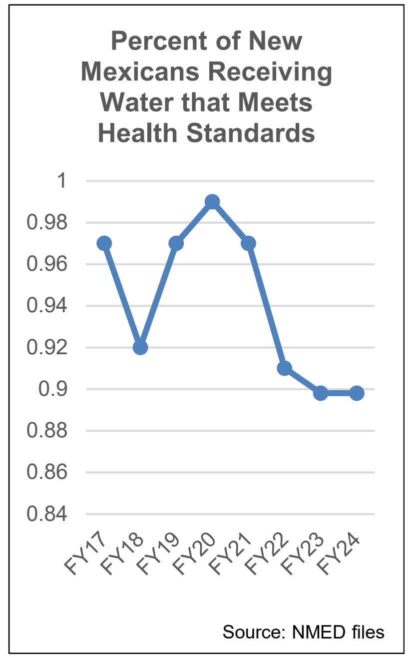
While inspections are valuable for determining whether regulated entities comply with applicable laws, rules, or permits, NMED's regulatory compliance programs continually struggle to meet their target percentages of applicable entities inspected. The Environmental Protection Division's Air Quality (AQB) and Radiation Control bureaus (RCB) are responsible for enforcing regulatory and compliance measures to protect the environment and prevent harm to human health.

In addition to inspections and monitoring, RCB's work includes assisting nuclear workers who have become ill due to occupational exposures received while working for contractors or subcontractors at U.S. Department of Energy facilities or in the uranium industry.

AQB has deployed new air monitoring instruments that improve connectivity, efficiency, and remote access to air quality data. The bureau worked with the New Mexico Climate Change Task Force to develop rules for reducing volatile organic compounds and oxides of nitrogen emissions in the oil and gas industry. AQB inspected 41 air-emitting sources for all of FY24. Due to changes in the target for AQB's air-emitting inspection numbers, the department exceeded its goal, yet still was slightly lower than the previous year total.

Budget: $18,320.1 **FTE:** 121.8

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of ionizing and non-ionizing radiation sources inspected	12.6%	15%	20%	16.8%	R
Percent of air emitting sources inspected	20.5%	33.3%	25%	32.2%	G
Percent of the population breathing air meeting federal health standards	98.4%	99.9%	95%	99.9%	G
Program Rating	R	R			Y



Environmental Health

The Environmental Health Division (EHD) continued to administer the state hemp extraction and manufacturing program, ensuring public health protection while supporting the growth and sustainability of the cannabis industry. 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 inspects approximately 1 percent of all workplaces each year, at the end of FY24, there were 67,495 employers in New Mexico. The bureau must continuously refine its strategy for targeting the highest-risk workplaces. In the fourth quarter, the food safety program fell short of reaching the percentage needed to reach its annual target.

The Environmental Health Bureau's (EHB) Food Safety Program inspections increased dramatically in the third and fourth quarters, which allowed it to hit its performance target for FY24. Under state statute and regulation, each restaurant and food manufacturer in the state should be inspected once per year. However, the same inspectors cover restaurants, food manufacturers, pools, and spas. 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) be assigned 280-320 inspections. EHB increased the total number of inspectors in FY24, from 33.8 in the first quarter to 38.8 at the end of the fourth.

Budget: $16,219.3 **FTE:** 156

	FY22 Actual	FY23 Actual	FY24 Target	FY24 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	63.5%	64%	55%	67.1%	G
Percent of restaurants and food manufacturers inspected	90.2%	80%	90%	80.5%	Y
Percent of new or modified liquid waste systems inspected	82.1%	86%	85%	91%	G
Program Rating	Y	R			G

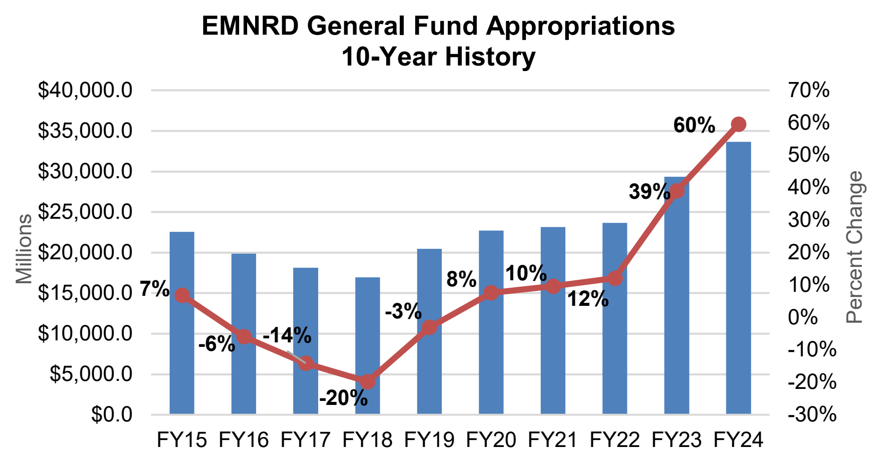
Energy, Minerals and Natural Resources Department

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

The Energy, Minerals and Natural Resources Department (EMNRD) received another traunch of state and federal funding as it increased activity across several divisions. EMNRD trained a record number of firefighters and maintained a nearly 100 percent coal mine inspection rate. The Oil Conservation Division issued a near record number of violations and conducted nearly 40 thousand oil and gas well inspections. While these positive results are laudable, new targets and measures should be considered to better monitor progress.

Healthy Forests

Wildland Firefighter Training. The department exceeded the target training participation by almost 100 percent. While the department had speculated training participation numbers could dwindle, the Salt and South Fork fires contributed to continued interest and participation. Trainings are held throughout the state primarily from October to April each year at a variety of volunteer, county, and municipal fire departments, as well as state and local agency locations. State Forestry's (SFD) efforts to work with federal, local, and tribal cooperators to identify, recruit, and engage nonfederal firefighters were successful. The establishment of new service agreements for training contractors allowed SFD to provide more opportunities for in-person and online training.



Source: LFC files

Forest and Watershed Treatment. SFD did not achieve the targeted forest and watershed treatment acres, with the total amount of treated acres decreasing by 11.3 percent from FY23. This drop in treated acres was due to heavy snowpack in nearly all of New Mexico's forested regions. The Pecos River was at 159 percent of its projected snowpack and the Rio Chama and Upper Rio Grande were at 137 percent of their's. While an encouraging sign for watersheds, it limited forest treatment from the end of the second quarter to the beginning of the fourth. Additionally, the average cost per-acre for forest and watershed treatment continued to rise, from $1,200 per acre in FY22 to almost $2,000 per acre in FY24. These increases are due to a mixture of inflation and a rise in increases in contractor costs. The department also noted delays in adding contractors to the state financial system continued to hinder treatment efforts.

Budget: $28,828.2 **FTE:** 92

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of nonfederal wildland firefighters provided professional and technical incident command system training.	883	1,554	1,500	3,012	G
Number of acres treated in New Mexico's forest and watersheds.	14,020	15,735	14,500	13,954	Y
Program Rating	Y	G			G

Energy Conservation and Management

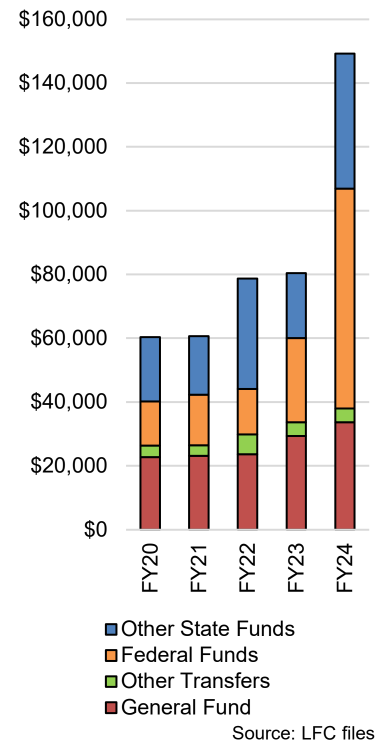
The Energy Conservation and Management Division (ECMD) exceeded its performance target for the second consecutive year. It processed clean energy tax credit applications at a rate of 99 percent. A new performance measure to better gauge progress should be considered. ECMD is also working to create an inventory of alternative energy projects currently proposed, in process, and completed in New Mexico.

In late 2022, ECMD applied for an S-grid modernization grant from the federal Infrastructure Investment and Jobs Act (IIJA). This grant is expected to bring in more than $35 million to New Mexico over a five-year period, and ECMD was awarded $14.4 million for the program's first two years (FY22-23). The grant requires a 15 percent state match, for which the Legislature appropriated funds in both FY24 and FY25.

Budget: $5,716.8 **FTE:** 27

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of completed applications for clean energy tax credits reviewed within 30 days of receipt	92%	99%	90%	99%	G
Program Rating	Y	G			G

EMNRD Appropriations by Funding Source
(in thousands)



State Parks

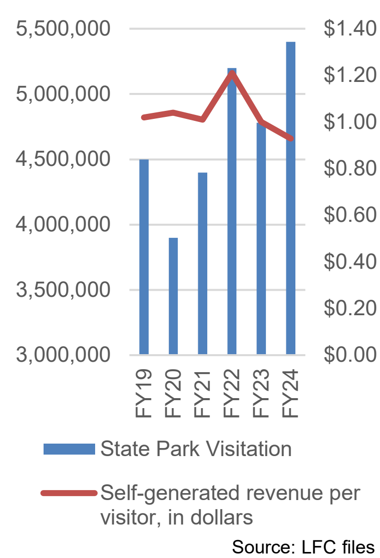
State Parks Division (SPD) visitation increased in FY24 to 5.4 million, exceeding its target by nearly 700 thousand, or 14 percent. This represented the highest level of visitation to the state's parks since before the pandemic. SPD continued to reduce its vacancy rate and is working to recruit both permanent and temporary staff to ensure state parks remain a significant draw, supporting New Mexico's outdoor recreation economy.

While the high visitation levels are cause for optimism, the amount of self-generated revenue per visitor dropped to under a dollar. This is the lowest this performance measure has been since FY21.

Budget: $38,454.2 **FTE:** 239.66

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of visitors to state parks	5.2 million	4.78 million	4.75 million	5.4 million	G
Amount of self-generated revenue per visitor, in dollars	$1.01	$1.21	$1.0	$.93	Y
Program Rating	Y	G			G

State Park Visitation vs. Self-Generated Revenue per Visitor

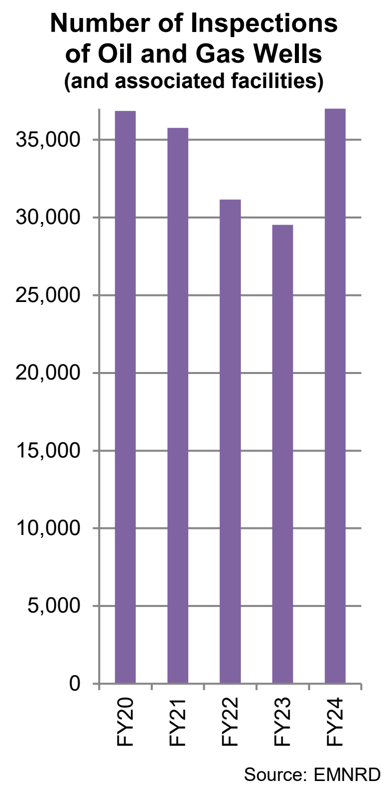


Mine Reclamation

Coal and surface mining both require financial assurance for permitted mines. For FY24, the coal program had five coal mines that received a total of 45 actual inspections, 100 percent of the number of inspections targeted. Additionally, all five coal mines were 100 percent covered by financial assurance. The Mine Reclamation Program manages a total of 60 mines, of which 59 have adequate financial assurance posted to cover the cost of reclamation. Combined with the coal program, this translates to 99 percent compliance.

Budget: $13,264.5 **FTE:** 34

	FY2 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of permitted mines with approved reclamations 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

Inspections and Compliance. The Oil Conservation Division (OCD) issued 5,138 violations in FY24, a 101 percent increase from FY23. OCD increased its issuance of violations after three consecutive years of decline by implementing a more rigorous inspection protocol (thus allowing it to surpass the previous year's total of violations issued after inspections). The division, working with expanded funding from both the state and federal government, also aggressively hired inspectors and field staff to increase inspections and compliance. The agency surpassed its FY24 target for well inspections by 8,640, hitting the highest level of inspections, 39,640, since FY18.

Orphaned Well Program. Ten wells were plugged during the fourth quarter of FY24, bringing the total for the fiscal year to 105. Five plugging rigs were contracted and are working simultaneously. Plugging activity increased due to funding from the federal Infrastructure Investment and Jobs Act and continued state support from the oil reclamation fund. With still over 2,000 orphaned wells identified in New Mexico, the agency's ability to complete these plugging projects at an increased pace will be critical to protecting public health and safety.

Budget: $55,305.5 **FTE:** 80

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of inspections of oil and gas wells and associated facilities	35,757	29,522	31,000	39,640	G
Number of abandoned wells properly plugged.	49	76	50	105	G
Number of violations issued with associated administrative penalties*	3,213	2,552	-	5,138	
Program Rating	Y	Y			G

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

Due to the U.S. Supreme Court's summer 2024 decision in favor of the United States, rejecting the state's proposed settlement agreement, the Office of the State Engineer (OSE) and the Interstate Stream Commission (ISC) will continue to spend significant time and resources working with the Attorney General to re-navigate settlement negotiations and trial preparation in *Texas v. New Mexico*. Additionally, negotiations continue in the Colorado River Basin with implications for New Mexico's delivery obligations.

New Mexico's cumulative debt under the Rio Grande Compact remained within acceptable margins of decline, though the trend toward continued increases in the debt should be monitored. Efforts by the agency to improve deliveries to Elephant Butte were continued in FY24. The number of offers submitted to defendants through OSE's litigation and adjudication program were 35 percent higher than the target. Discussion of new performance measures to monitor the success of other aspects of OSE and ISC should be considered because existing measures capture only a small portion of the agency's workload.

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

Water Security Planning Act

ISC completed the initial public engagement project of the Water Security Planning Act, holding 16 open houses to receive public input. ISC also finished creation of the "mainstream nm" website, which provides information and links to various water reports and data and a roadmap for the next steps of the Water Security Planning Act. ISC is working on an initial report detailing the input received, which was to be available this fall. After this, discussions of new rules and guidelines will begin to take place.

Water Resource Allocation

The Water Rights Division did not meet its target for FY24, processing an average of 32 applications per month. Additionally, the division serves as "agency reviewers" for the New Mexico Finance Authority and Water Trust Board and as "cannabis water rights validation reviewers" for the Regulation and Licensing Department. Neither of these additional workloads are reflected in current performance measures but should be considered to better reflect agency productivity.

The Water Rights Abstract Bureau, responsible for populating and maintaining the Water Administration Technical Engineering Resource System, did not meet its target for FY24, missing it by roughly 7,500 transactions. This deficit is caused by more complex transactions in the Estancia Groundwater Basin, which take more time. The Dam Safety Bureau exceeded its total target by over 150 percent in FY24, an indication the bureau is addressing backlogs and increasing productivity.

Budget: $18,975 **FTE:** 178

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of unprotested and unaggrieved water right applications backlogged*	499	445	N/A	395	G
Average number of unprotested new and pending applications processed per month	39	37.8	35	31.5	Y
Number of transactions abstracted annually into the water administration technical engineering resource system database.	28,665	19,210	21,000	13,501	Y
Number of notices issued to owners of publicly owned dams notifying them of deficiencies or potential issues	61	26	45	113	G
Program Rating	Y	G			Y

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

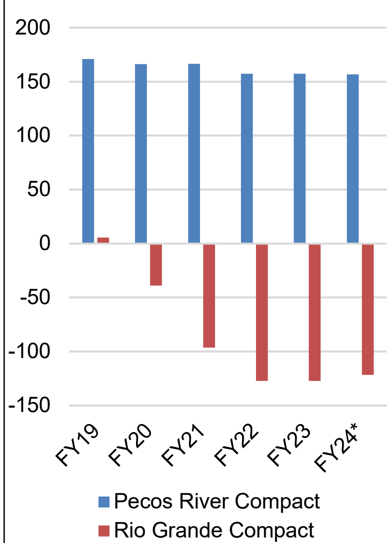
Interstate Stream Compact Compliance and Water Development

The state's cumulative Pecos River Compact credit continues to be positive; however, the U.S. Supreme Court's Pecos River master recently determined that

New Mexico underdelivered for water year 2023 by 8,400 acre-feet. This decision brought New Mexico's current cumulative credit down to 148,200 acre-feet.

New Mexico's Rio Grande Compact cumulative delivery deficit remained at 121,500 acre-feet at the close of FY24, a 31 percent increase in the deficit from FY23. While the current cumulative delivery deficit is still below the compact compliance debit threshold of 200,000 acre-feet, the 31 percent increase is a worrying trend. OSE and ISC are working to identify additional actions that might be needed to increase deliveries. New Mexico's compact status has implications for the ability to store native Rio Grande water in upstream reservoirs. This, in combination with continued construction on El Vado Reservoir, has resulted in challenges for the Middle Rio Grande Conservancy District ability to store irrigation water.

Interstate Stream Compact Compliance
(thousands of acre-feet of water)



Through Q3*

Source: LFC files

Budget: $15,272.2 **FTE:** 54

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Cumulative New Mexico Unit fund expenditures, in millions of dollars*	$22.0	$22.3	N/A	$22.6	G
Cumulative state-line delivery credit per the Pecos River Compact, in thousand acre-feet	157.2	156.6	>0	148.2	G
Cumulative delivery credit per the Rio Grande Compact, in thousand acre-feet	-127.1	-93	>0	-121.5	Y
Program Rating	G	Y			G

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

Litigation and Adjudication

The Litigation and Adjudication Program (LAP) exceeded its FY24 adjudication target by 35 percent. LAP also exceeded its FY23 target, indicating a productive program, but also a new, higher target should be considered to better assess productivity.

Data continues to be entered into the LAP database and is being fused with hydrographic survey data to increase the accuracy of the division's second performance measure.

Budget: $8,268.3 **FTE:** 63

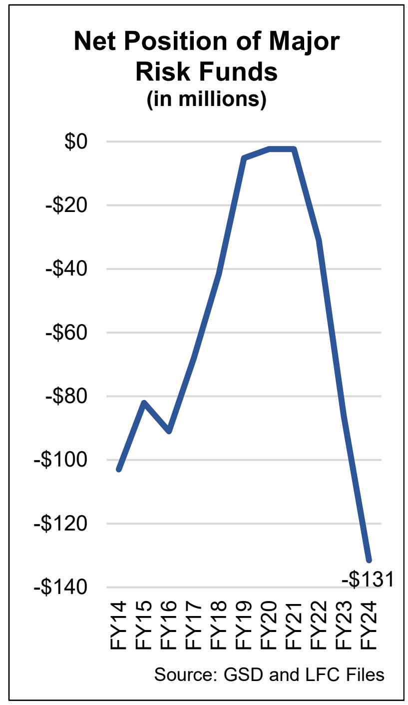
	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Number of offers to defendants in adjudications	142	436	300	406	G
Percent of all water rights with judicial determinations	76.5%	76.7%	76%	76.9%	G
Program Rating	G	G			G

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 is reporting the state's public liability fund is projected to close the fiscal year with only a small percentage of liabilities in cash 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.

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

Risk Management Funds

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 33 percent, down from 78 percent at the end of FY22, but the larger driver of losses is the state's public liability fund, which has only 16 percent of anticipated liabilities in reserve, well short of the 50 percent target. Projected assets are short of projected liabilities by $145 million, with the public liability fund reporting a shortage of $124 million. The public property fund remains well above the 50 percent target, and the workers' compensation fund remains slightly above target.



A one-time cash infusion of $20 million to the public liability fund, approved by the Legislature during the 2024 session, will help rebuild cash reserves, which stood at $34 million in July 2024. But large settlements from a few agencies, notably the Children, Youth and Families Department and the Corrections Department, have driven significant losses for the fund that will need to be recovered. For FY26, the department requested significant rate increases for participants in the fund.

Budget: $104,204.9 **FTE:** 0

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Projected financial position of the public property fund*	443%	215%		275%	G
Projected financial position of the workers' compensation fund*	66%	56%		63%	G
Projected financial position of the public liability fund*	66%	42%		16%	R
Program Rating	G	Y			R

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

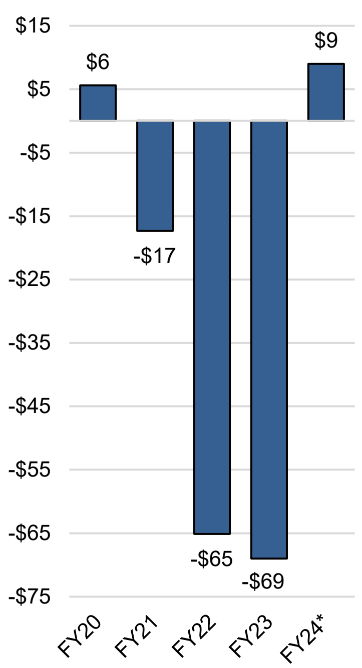
Employee Group Health Benefits

In FY24, the Risk Management Division of GSD operated the state's self-insured group health benefits pool, providing health coverage to employees of the state, local governments, and some higher education institutions, but the program will transition to the Health Care Authority beginning in FY25. The employee group health benefits program has been operating at a deficit since FY21, with the Legislature allocating more than $225 million in general fund appropriations to backfill loses caused by a multi-year premium holiday. Total recurring revenue for the fund was well short of total expenses in FY24, posing a significant challenge for the Health Care Authority, even with a 10 percent rate increase that went into effect in FY25. The Health Care Authority is projecting an FY25 deficit of $16 million.

GSD did not report on several metrics for the for the health benefits programs, including the change in per-member-per-month healthcare costs, the percentage of state employees purchasing a medical plan from the state, or the number of visits to the Stay Well Health Center, a health clinic in Santa Fe providing members of the plan with some basic healthcare services with no out-of-pocket costs. In particular, monitoring the growth of per-member-per-month costs is a key budget driver for the program.

Additionally, the department reported a $124 million fund balance deficit for the employee benefits fund; however, this appears to be a methodological shift from prior years, when the department reported the fund's cash deficit. According to information from the state's accounting system, as of August 29, the fund has a cash balance of $9 million; however, invoices that have yet to be paid could lower that amount. The department expects to close the fiscal year in October.

Health Benefits Fund Balance
(in millions)



*Unaudited, as of 8/29/24, outstanding vouchers yet to be paid may lead to a lower year-end cash balance

Source: GSD

Budget: $363,142.2 **FTE:** 0

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Change in average per-member-per-month total healthcare costs	5%	3%	5%	No Report	R
Annual loss ratio for the health benefits fund	118%	118%	98%	89%	R
State group prescriptions filled with generic drugs	87%	83.6%	85%	88%	G
Number of visits to the Stay Well Health Center	4,540	7,375		No Report	R
Percent of eligible state employees purchasing sate medical insurance	80%	78.5%		No Report	R
Year-end fund balance of the health benefits fund, in millions*	-$65.1	-$61.2		-$124	R
Program Rating	R	R			R

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

Facilities Management

The Facilities Management Division (FMD) is responsible for maintaining 6.8 million square feet of state-owned and leased space. FMD reports only 68 percent of scheduled preventive maintenance activities were completed on time due to a lack of maintenance staff. On-time completion of capital projects also fell short of the target. Although the department reports capital projects are being completed on time, the agency reports an inability to keep up with preventive maintenance due to a shortage of staff.

GSD continues to report 100 percent of leases meet adopted space standards; however, previous reports have indicated most of the leases were exempt from the standard recommendation and not counted in the total. In the fourth quarter, six of 17 leases met the space standard, or 35 percent. Six leases were approved for space waivers, two leases were exempt because they are special use facilities and three were exempt because they were for less than 2,000 square feet.

Budget: $19,550.7 **FTE:** 148

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Capital projects completed on schedule	93%	87%	90%	94.1%	G
Preventive maintenance completed on time	59%	70%	90%	60%	R

Budget: $19,550.7 **FTE:** 148

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Amount of utility savings resulting from green energy initiatives, in thousands*	$85	$-38.2		$376	
Program Rating	R	R			Y

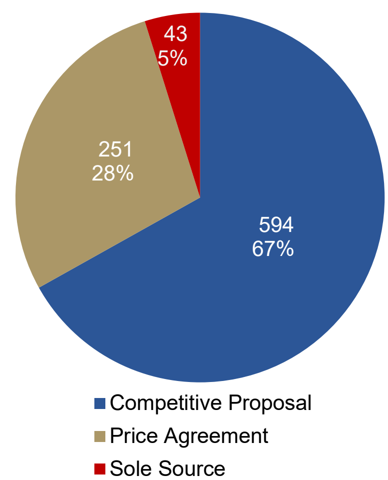
*Measure is classified as explanatory and does not have a target.

The state has yet to realize projected cost savings from the green energy initiatives, with the department reporting $376 thousand in savings in FY24. In August 2019, FMD began a $32 million project to reduce energy use in state facilities, estimated to save at least $1.4 million per year, with guaranteed savings of $1.1 million. The department does report significant energy savings over the FY18 baseline of 2 million kilowatt hours in the fourth quarter, resulting in lower greenhouse gas emissions of 1,363 metric tons.

State Purchasing

The program reports 76 of 77 executive agencies had designated chief procurement officers, and the agency met targets for procurement completion. In the third quarter, the awards from invitations to bid were not completed within the targeted timeframe, with only 53 percent of bids awarded withing 90 days, well below the target of 90 percent. Although this is a new measure, performance in both the first and second quarters were below performance targets, and the agency has not yet developed an improvement action plan for this item.

Professional Services Contracts >$100,000, FY24



Source: Contracts Review Bureau

Budget: $2,919.3 **FTE:** 29

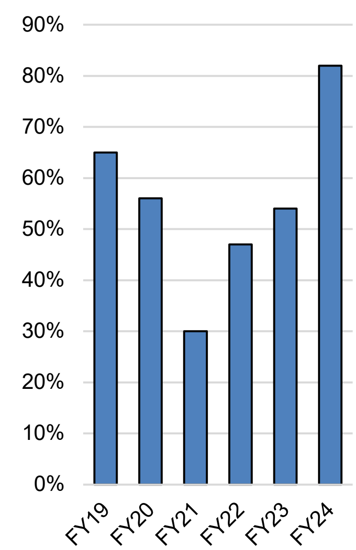
	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Agencies with certified procurement officers	100%	100%	98%	99%	G
Procurements completed within targeted timeframes	88.5%	87.4%	80%	80.8%	G
Revenue generated through pricelist purchases, in thousands*	$3,803	$4,614		$2,066	G
Percent of estimated payments from vendor sales	75%	99%	90%	92%	G
Percent of invitations to bid awarded within 90 days	NEW	NEW	90%	74%	R
Average number of days for completion of contract review	5	3.2	5.5	1	G
Program Rating	G	G			G

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

State agencies 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. Generally, those price agreements require vendors to pay a fee to state purchasing for inclusion on those price lists. The agency reports only 92 percent of vendors have completed required payments for purchases made from statewide price lists. In FY24, GSD reported a total of $2 million in revenue from price lists, but this amount does not match the agency's budget submission, with reports including a total of $4.6 million in revenue, in line with FY24 totals.

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.

Vehicles Used 750 Miles per Month, or Used Daily



Source: GSD

Transportation Services

State agencies improved their vehicle utilization, with 82 percent of vehicles used daily or for at least 750 miles per month, above the performance target of 70 percent for the first time in recent years. Operating costs for vehicles exceeded the target 9 cents per mile, although the department notes the total remains below the industry average of 81 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.

Budget: $11,483.9 **FTE:** 32

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Percent of leased vehicles used for 750 miles per month or used daily	47%	54%	70%	80%	G
Average vehicle operation costs per mile	$0.64	$0.52	$0.59	$0.68	R
Program Rating	R	Y			Y

State Printing

The State Printing Program reported recovery in sales, and the program reported a small profit for the fiscal year, although the final amount was below the 5 percent target. The division continues to perform well, with all printing jobs delivered on time.

Budget: $2,732.2 **FTE:** 11

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Revenue exceeding expenditures	21%	7%	5%	1%	Y
Percent of printing jobs delivered on time	100%	100%	99%	100%	G
Sales growth in revenue	-2%	29%	10%	6%	Y
Program Rating	G	G			G

State Personnel

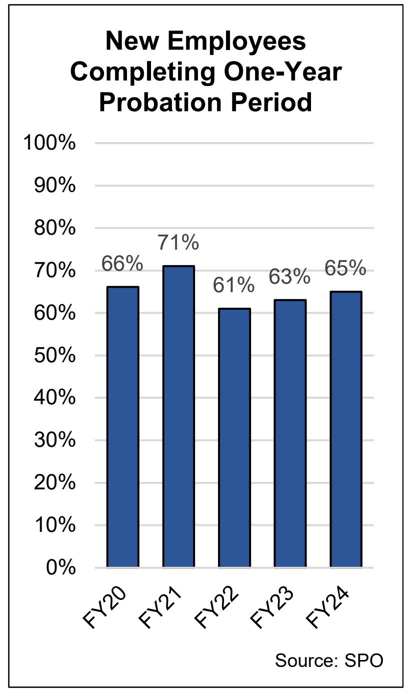
Recent pay increases and stabilization of the broader job market helped to improve key metrics related to the state's personnel system, but high turnover and the continued growth in the number of positions within state agencies led to continued high vacancy rates.

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

Budget: $4,715.5 **FTE:** 44

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Average number of days to fill a position from the date of posting*	69	66	N/A	60	Y
Classified service vacancy rate*	22.8%	23.8%	N/A	22.7%	R
Percent of classified employees who successfully complete the probationary period*	61%	63%	N/A	64%	R
Average classified employee compa-ratio*	105%	98.7%	N/A	100.8%	G
Average classified employee new hire compa-ratio*	102%	95.5%	N/A	96.9%	G
Number of hires external to state government*	2,969	3,109	N/A	3,465	G
Average classified service employee total compensation, in thousands*	NEW	$99.8	N/A	$108.1	
Cost of overtime pay, in millions*	NEW	$41.1	N/A	$44.8	
Number of salary increase awarded*	NEW	1,660	N/A	890	
Program Rating	R	Y			Y

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



The State Personnel Office (SPO) reports the classified service vacancy rate is 22.7 percent, 20 percent higher than the rate in FY21, but this increase has been primarily caused by significant increases in the number of new positions created. 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 to 59 days in the fourth quarter. SPO has prioritized working with agencies to reduce the time-to-fill metric.

According to SPO, only 64 percent of new employees complete their probationary period. If retention patterns do not change, more than 1,200 on the 3,465 people hired in FY24 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.

Providing competitive compensation packages to state employees is key to improving recruitment and retention. On average, total compensation for state employees topped $108 thousand in FY24, an increase of 8.7 percent from FY23. Based on information from the U.S. Bureau of Labor Statistics, recent increases in New Mexico 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 more than 40 percent of their total compensation through benefits, compared with 30 percent for workers in the private sector, based on national data. While state and local government employees nationally generally receive more of their pay from benefits, New Mexico provides a larger share of compensation through benefits than government employers generally.

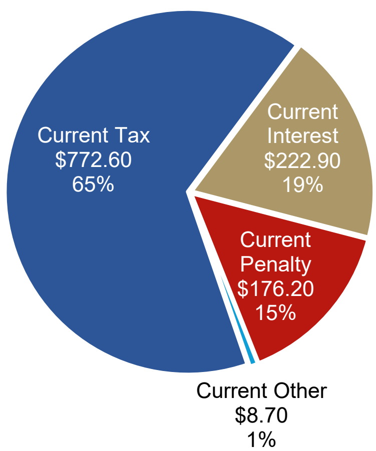
Taxation and Revenue Department

ACTION PLAN

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

In FY24, the Taxation Revenue Department (TRD) fell short of its target for collectible audit assessments by 12 percent, and tax investigations referred to prosecutors as a percent of total investigations by 44 percent. TRD made technological advancements in the Motor Vehicle and Program Support divisions, decreasing office and call center waiting times. The agency's vacancy rate improved to 18 percent, down from 21.3 percent in the fourth quarter of FY23. TRD implemented internal realignments and reclassifications with in-pay-band increases for positions agencywide to increase staff retention.

Outstanding Tax Amounts by Category $1.18 Billion Total (in millions)



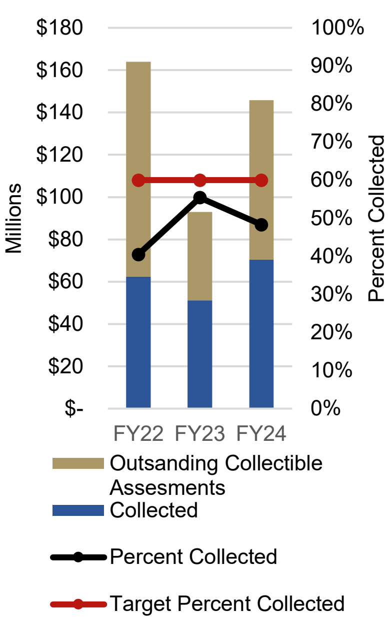
Source:TRD

Tax Administration

The Audit Compliance Division (ACD) of the Tax Administration Program collected $172.5 million, 22.6 percent, of the state's $936.9 million in outstanding taxes. The total FY24 reduction in the fiscal year beginning accounts receivable is $746.7 million, or 49.4 percent, bringing the balance to $764.4 million. TRD states sole proprietors remain the largest category of outstanding tax collections, with a collectible balance of $479.1 million in the fourth quarter of FY24. Other frontrunners for collection balances are limited liability companies, at $248.1 million, and corporations, at $278.1 million. The state tax gap remains with an outstanding collectible balance of $1.2 billion.

ACD creates collection goals centered around return on investment (ROI) measures. It collected over $305.8 million of its $285.2 million collection goal for FY24 and filed 27,159 cases of 54,424 total cases of questionable personal income tax returns at the end of FY24. ACD's budget for FY24 was $25.9 million, and ACD had an ROI of 12:1, above its ROI goal of 11:1.

Collections as a Percent of Collectible Audit Assessments



Source: TRD

Assessments are deemed uncollectible by statute if cases are in protest, bankruptcy, deactivated, or less than 91 days old. Fiscal Year 2024 assessments totaled $163.6 million; $1.5 million is in protest, and $16.5 million has been abated, leaving a collectible balance of $145.8 million, of which $70.4 million, or 48.3 percent, has been collected. The target was to maintain the collection of collectible audit assessments at 60 percent, which the agency didn't meet. The agency collected a lower percentage of audit assesments compared to FY23, but because the collectible balance was larger, the agency collected $50 million more than FY23.

Budget: $28,116.0 **FTE:** 340.66

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Collections as a percent of collectible outstanding balances from the end of the prior fiscal year*	15.5%	20%	20%	22.6%	G
Collections as a percent of collectible audit assessments generated in the prior fiscal year	40.5%	60%	60%	48.3%	R
Program Rating	Y	R			Y

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

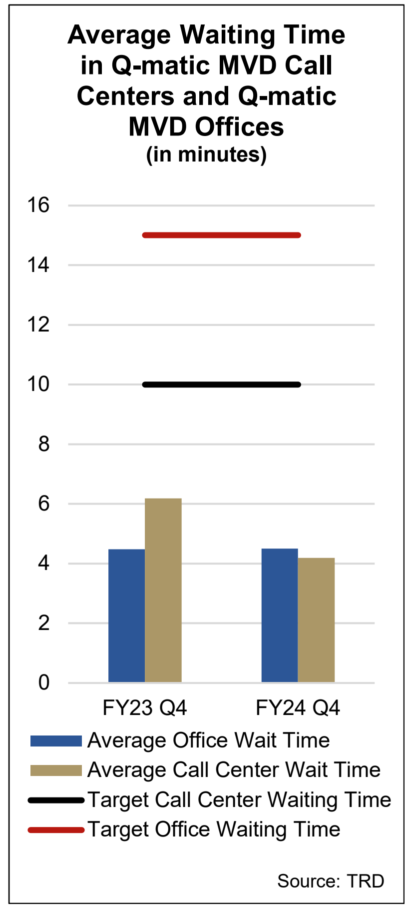
Compliance Enforcement

The Internal Investigations Bureau (IIB) opened 44 cases and completed eight during the fourth quarter of FY24, all within the 60-day timeframe. For FY24, IIB referred 18 cases to prosecutors of the 44 that were assigned. This yielded a 41 percent rate for the year, short of the target of 85 percent. The Tax Fraud

Investigations Division (TFID) had six cases successfully prosecuted during FY24, thereby, hitting its target of 100 percent of successful tax fraud prosecutions. TFID has 19 cases pending in several criminal district courts.

Budget: $2,052.9 **FTE:** 21

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Tax investigations referred to prosecutors as a percent of total investigations assigned during the year	50%	85%	85%	41%	R
Successful tax fraud prosecutions as a percent of total cases prosecuted*	100%	100%	100%	100%	G
Program Rating	R	G			Y



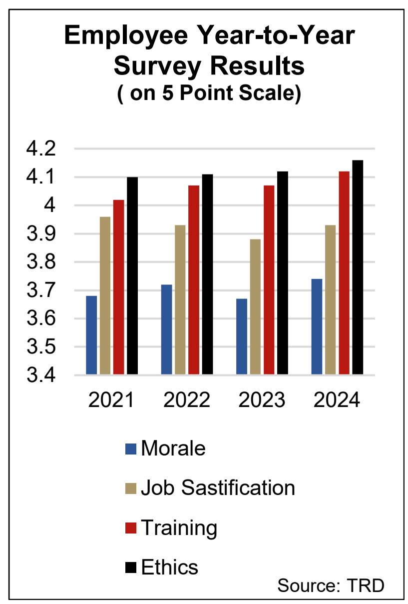
Motor Vehicle Division

The Motor Vehicle Division (MVD) met two out of its three performance targets for FY24. Its target for registered vehicles with liability insurance was 92 percent, and it barely missed its mark by having 90 percent of vehicles registered with liability insurance in FY24. MVD may not have direct control over a driver's decision to keep their vehicle insured, but MVD believes better communication with its customers regarding the consequences of driving uninsured should increase this percentage.

During FY24, MVD served 851,158 customers and is committed to providing the best possible experience for its customers. MVD significantly reduced waiting times through a combination of strategic measures. This focus on managing multiple customers at once led to an increase in efficiency and allowed the division to hit both targets. Customers' average waiting time in Q-matic-equipped offices was 4:50 minutes, and customers' average waiting time to reach an agent was 4:19 minutes.

Budget: $53,885.6 **FTE:** 332

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Registered vehicles with liability insurance	91.1%	91%	92%	90%	Y
Average wait time in Q-matic equipped offices, in minutes	6:48	4:48	15:00	4:50	G
Average call center waiting time to reach an agent, in minutes	8:38	6:18	10:00	4:19	G
Program Rating	G	G			Y



Property Tax

The Property Tax Division (PTD) is working on better expressing sales through data. It estimated $400 thousand in revenue will be generated through delinquent property tax sales in FY24, compared to the $607.7 thousand generated in FY23. PTD collected and distributed $10.8 million to counties with delinquent properties, and recovered 17.1 percent of total delinquent properties. Performance declined slightly compared to FY23, but the division still exceeded both targets.

Budget: $6,422.5 **FTE:** 39

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Delinquent property tax collected and distributed to counties, in millions	$12.0	$13.9	$10.0	$10.8	G
Percent of total delinquent property taxes recovered	23.0%	21.0%	15.0%	17.1%	G
Program Rating	G	G			G

Program Support

For FY24, the Legal Services Bureau (LSB) and the Office of Internal Oversight (OIO) met the target goal for both of their performance measures. 1,593 total cases were reviewed and resolved, which is above the target of 1,525. OIO also had 92 percent of its internal audit recommendations, which is above the target of 90 percent. The total number of tax protests cases resolved decreased from FY23, but OIO drastically improved the number of audit recommendations implemented.

LSB reported 301 of 3,042 tax protest cases were resolved in quarter four. There was an uptick of 10 referrals to the administrative hearings office, and 63 protest case referrals in the fourth quarter compared to 53 in the third quarter. OIO reports three audits, one special project and one procedure completed in the fourth quarter. This fourth quarter performance led to seven internal audits, two special projects and two procedures completed for the entirety of FY24.

Budget: $11,622.6 **FTE:** 102

	FY22 Actual	FY23 Actual	FY24 Target	FY24 Actual	Rating
Tax protest cases resolved	1,690	1,892	1,525	1,593	G
Internal audit recommendations implemented	97%	25%	90%	92%	G
Program Rating	R	R			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 FY24 includes nine key projects and one program, including $91 million currently funded for the P25 Digital Public Safety Radio System at the Department of Information Technology (DoIT) and nearly $279 million for the statewide broadband program managed by the Office of Broadband Access and Expansion. Budget amounts reflect new funding appropriated for FY25. The report reviews three high-risk projects, three moderate-risk projects, and four low-risk projects. Major investments include state broadband ($294 million funded), the Health Care Authority's Medicaid management information system replacement project ($369.5 million funded), and the Children, Youth and Families Department's comprehensive child welfare system replacement project ($54.9 million funded).

Medicaid Management and Information System Replacement Project. The Health Care Authority (HCA) has been appropriated $369.5 million so far—including $331.9 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 expects system functionality by late 2025 but will not close the project until 2027. CYFD estimates the project to cost $90 million—an increase of $19 million or 26 percent from this time last year—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
Est. Total Cost	$150,000.0
Revised	$170,000.0

Project Description

The P25 digital statewide public safety radio system upgrade 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

Overall Status

The Department of Information Technology (DoIT) continues with deployment plans for its public safety radio project, with 43 confirmed agency subscribers, including school and local police, fire departments, and other various federal and state public safety agencies. The agency met its goal of reaching 40 percent state coverage by the end of FY23 and is on track to complete the project in 2027.

Measure	FY22 Rating	FY23 Rating	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Rating
Budget	Y	Y	Y	Y	Y	Y
Schedule	Y	G	G	G	G	G
Risk	R	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. DoIT has been subsidizing costs for their agencies and will receive $2.8 million in FY25 to continue the radio subsidies for federal and local governments and $10 million in capital outlay.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$91,164.3	$0.0	$91,164.3	$85,806.7	$5,357.6	94.1%

Schedule

The agency is on track with its current deployment schedule, planned through 2027. Phase two deployment is advancing. However, 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 chain supply disruptions. The P25 advisory committee continues to meet on a regular basis and the agency keeps holding subscriber user group meetings, reducing risk.

Statewide Broadband Program

Overall Status

The Office of Broadband Access and Expansion (OBAE) released its three-year plan in January 2024 and is set to receive $675 million through FY27 from federal Broadband Equity, Access and Deployment (BEAD) grant programs, requiring a detailed spending plan as of July 2024, and has one year to award the funds. The agency continues to meet deadlines for state and federal broadband plans, but impending staff and leadership changes and several upcoming federal grant deadlines pose risk.

Measure	FY22 Rating	FY23 Rating	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Rating
Budget	R	Y	Y	Y	Y	R
Schedule	Y	Y	Y	Y	Y	Y
Risk	Y	Y	Y	Y	Y	Y
Overall Rating	R	Y	Y	Y	Y	Y

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.

Budget

OBAE has fully obligated appropriations for the Navajo Nation ($3 million) and expansion projects in Northern New Mexico and Rio Arriba and Santa Fe counties ($372.9 thousand and $259.7 thousand) but has only spent 8.7 percent of available funding. While OBAE has encumbered around half of the available funding, spending remains stagnant.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding[1]	Spent to Date	Balance	Percent of Appropriations Spent
$162,680.6	$130,311.9	$292,992.5	$32,050.0	$260,947.5	10.9%

[1] State funding includes Connect New Mexico 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.

Schedule

OBAE is using a grant tracking system and hired grant and compliance managers to mitigate deadline risk. OBAE recently submitted its Digital Equity Capacity Grant Program application to the National Telecommunications and Information Administration for $8.67 million.

Risk

OBAE's growth has allowed the office to make progress on awarding Connect New Mexico fund dollars and developing needed plans to access new federal funds. However, OBAE expects several staff and leadership changes, which may affect the agency's capacity to administer funds in future quarters, posing risk. The 1-year timeline to award $675 million of BEAD funding poses further risk and potential delay in spending other available funds.

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

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.

Child Support Enforcement System Replacement Project

Overall Status

The Health Care Authority (HCA), formerly the Human Services Department, has completed improvements to the system design (refactoring) and upgraded the old system to a new, modern cloud platform (replatforming) in February 2022. Phase two is now underway for a complete replacement of the system with new architecture. The agency onboarded and received federal contract approvals for its project management office vendor, and HCA has developed a tentative timeline for planning and implementation. However, delays to the expected completion date pose increased risk to the project.

Measure	FY22 Rating	FY23 Rating	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Rating
Budget	Y	R	R	Y	R	R
Schedule	Y	R	R	R	R	R
Risk	Y	Y	Y	Y	R	R
Overall Rating	Y	R	R	Y	R	R

Budget

The project continues to cite a total estimated cost of $109 million—up from $76 million—resulting from expanding the project timeline. The agency reauthorized $10.6 million in unspent balances of previously appropriated funds for FY25 for the project's continuation. HCA certified $5.74 million of prior funding at PCC in June 2024.

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	$15,218.9	$17,647.7	46.3%

Schedule

The project is now expected to close out in 2029, 16 years after the project start date. HCA completed its feasibility study—required by federal partners—but the review of the study by federal partners has caused a delay in schedule. HCA cannot move forward with procurement until its streamlined feasibility study is approved, causing risk.

Risk

Though prior changes to schedule and the increased budget pose risk to the project, the agency has made progress on receiving federal approvals for project management contracts and reports hiring key project and agency staff to support its IT initiatives, including a chief information officer and chief information security officer.

Medicaid Management Information System Replacement Project

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.

Overall Status

The project administered by the Health Care Authority (HCA), formerly the Human Services Department, experienced several substantial delays and increases to the project budget. After several vendor changes and delays, the agency deployed its system integration platform, currently used for transferring files and other data from the agency's ASPEN system. The new project manager started in December 2023. The consolidated customer contract center, parts of quality assurance, and parts of the unified portal have been deployed into production within the last couple of years.

Measure	FY22 Rating	FY23 Rating	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Rating
Budget	Y	Y	Y	Y	Y	Y
Schedule	R	R	R	R	R	R
Risk	Y	R	R	R	R	R
Overall Rating	Y	R	R	R	R	R

Budget

The agency was appropriated $7.4 million in state funds for FY24, with an associated $67.5 million federal match. The agency reauthorized $46 million in unspent balances of previously appropriated funds for FY25 for the project's continuation. HCA has certified all funding through the PCC as of June 2024. The overall project is now expected to cost $533.8 million just in nonrecurring costs alone.

Schedule

Prior substantial delays in the project and the need for integration with various other agency systems posed moderate risk. The unified portal went live in September 2024. The benefits management module/provider management is expected was expected to go-live late October.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$37,757.6	$331,864.5	$369,480.9	$278,500.0	$90,980.9	75.3%

Risk

HCA is making progress in replacing key project and agency staff for the unified portal project. A new project change request was approved to help with integration activities among the Medicaid modules. Additional cost increases continue to pose a substantial 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.

New Mexico Impact Project

Overall Status

The Children, Youth and Families Department (CYFD) and other stakeholders are now referring to the comprehensive child welfare information system (CCWIS) replacement project as the New Mexico Impact Project. Risk remains moderate given prior delays and leadership changes, but CYFD is on track for system utilization in 2025 and close-out in 2027.

Measure	FY22 Rating	FY23 Rating	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Rating
Budget	Y	R	R	Y	Y	Y
Schedule	R	R	R	Y	Y	Y
Risk	Y	Y	Y	Y	Y	Y
Overall Rating	Y	Y	Y	Y	Y	Y

Budget

CYFD received new state and federal funds for FY24 and was approved for a simplified federal cost allocation methodology. The total project budget increased from $71 million to $90 million, but the agency did not ask for an increase in general fund needs in FY25 due to an increase in federal participation. The agency onboarded its independent verification and validation (IV&V) contractor in January 2024 and certified $26.1 million at PCC in August 2024.

Budget Status Overview
(in thousands)

State	Federal (ACF)	Total Available Funding[1]	Spent to Date	Balance	Percent of Appropriations Spent
$34,963.1	$11,217.1	$54,980.5	$36,380.67	$18,599.83	66.1%

*$9.3 million in prior historical funds are expended, expired, or inactive, $8.8 million from Medicaid revenue from the HCA.,

Schedule

The expected end date has been pushed to January 2027. However, the agency has completed its installation of county network hardware, and the statewide Wi-Fi installation and security updates are in progress. The agency is planning for system usage in late 2025 with a closeout date in 2027 from PCC with overall training to be completed prior to project closeout.

Risk

The project manager's office continues conducting weekly risk reviews to review mitigation progress to closing risks. However, data quality is the project's biggest risk along with internal organization and leadership changes at CYFD.

Electronic Health Records Project

Overall Status

The Corrections Department (NMCD) has been certified for the implementation phase for the electronic health records (EHR) project in August 2023. The agency is expecting a close-out date of May 2025, a change from September 2024. NMCD certified $1.925 million at PCC in July 2024.

Measure	FY22 Rating	FY23 Rating	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Rating
Budget	New	G	G	G	G	G
Schedule	New	G	G	G	Y	G
Risk	New	G	Y	Y	Y	Y
Overall Rating	New	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. The agency received $1.925 million for cybersecurity and infrastructure improvements, EHR service functionality additions, and staff augmentation expansion to support a two-step implementation process for FY25.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$8,663.0	$0	$8,663.00	$4,756.5	$3,897.5	54.9%

Schedule

The project end date changed from June 2024 to May 2025. NMCD completed a sole source procurement for the professional services component of the project and is holding weekly status meetings which started in August 2023. ESC meetings are held monthly.

Risk

The agency continues to make progress on contracting and vendor on-boarding, with meetings and bootcamps being held. The agency is seeing an increase in vacancy rates in their behavioral staff, which continues to pose some level of risk. NMCD is working with additional contractors to interface with the agency's offender management system, health information exchange and possibly the Department of Health's electronic health record system, once built, posing some risk of completing on schedule.

OVERVIEW

Project Phase	Implementation
Start Date	7/1/21
Est. End Date	6/30/24
Revised	9/30/24
Revised	5/31/25
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.

OVERVIEW	
Project Phase	Implementation
Start Date	5/10/16
Est. End Date	6/30/21
Revised	3/1/23
Revised	12/31/24
Revised	4/12/25
Est. Total Cost	$7,3813

Project Description

The records management system (RMS) project will replace various nonpayer record storage with an integrated records management system.

Records Management System

Overall Status

The Department of Public Safety (DPS) was pursuing both the records management system (RMS) and computer-aided dispatch (CAD) projects simultaneously, but the agency divorced the project timelines after going live with RMS in April 2023. NMCD closed out CAD through the PCC in July 2024 but continues to refine interfaces for RMS.

Measure	FY22 Rating	FY23 Rating	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Rating
Budget	G	G	G	G	G	G
Schedule	Y	Y	Y	Y	Y	Y
Risk	G	Y	Y	G	G	G
Overall Rating	G	Y	Y	G	G	G

Budget

The agency did not request additional funds to support the project for FY24. DPS expects an additional $2.6 million to be billed for the project after going live with CAD. RMS remains on budget.

Schedule

DPS went live with RMS in March 2023. The agency's schedule risk remains moderate given these delays, but RMS project activities remain low risk as the agency continues to refine its interfaces. The project is on track to close in April 2025, four years later than the initial anticipated end-date.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$7,381.3	$0	$7,381.3	$7,033.80	$347.5	95.3%

Risk

Since RMS has been implemented, the risk for that project is low. Both RMS and CAD have gone live, reducing overall project risk. Executive support remains high and DPS reports electronic warrants pilot has been successful.

Intelligence-Led Policing Project

OVERVIEW	
Project Phase	Planning
Start Date	4/28/22
Est. End Date	6/30/23
Revised	6/30/25
Est. Total Cost	$6,210.0
Revised	$9,300.0
Revised	$16,000.0

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. The vendors completed assessments on data governance needs and architectural needs for the data repository, to be followed by a proof of concept and the creation of the data repository for DPS, Albuquerque Police Department, and Eddy County initially.

Measure	FY22 Rating	FY23 Rating	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Rating
Budget	New	G	G	G	G	G
Schedule	New	Y	Y	Y	Y	Y
Risk	New	G	G	G	G	G
Overall Rating	New	G	G	G	G	G

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.

Budget

The agency received an additional $2.2 million in FY24 to continue the planning and implementation phases. The agency reports an anticipated nonrecurring cost of $6.2 million for the project, with an estimated additional $4.3 million for RFPs and Contracts, with recurring costs over the first five years of $15.9 million. DPS certified $999 thousand for continuation of its contracts in January 2024.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding	Spent to Date	Balance	Percent of Appropriations Spent
$5,585.0	$0	$5,585.0	$1,859.95	$3,720.05	33.3%

Schedule

DPS is to have rolled out its data repository by 2024, with an overall expected completion date of June 2025. The system will be hosted on DPS's AWS tenant, but individual users and agencies can utilize their own data analytics and visualization tools using the data. With a two-phased approach, the project schedule could be revised.

Risk

The agency continues to address data governance concerns with partner organizations and should have additional recommendations for that and other architectural needs after completion of the assessments by the vendor. The agency's planning to implement a proof of concept prior to implementing the system statewide, which should improve risk and allow for additional testing and training internally prior to full roll out of the 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	$16,000.0

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.

New Mexico Longitudinal Data System Project

Overall Status

The Higher Education Department (HED) is citing a new budget and schedule changes to accommodate the other project phases, posing risk. HED is to have completed phase one and has ingested all 10 data sets from partner agencies. Phase two was scheduled to start August 2024, however project delays have caused the project to be stagnant. LFC staff report HED cannot pull data from the system, likely due to an inability to validate data.

Measure	FY22 Rating	FY23 Rating	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Rating
Budget	G	R	R	R	R	R
Schedule	G	R	R	Y	Y	R
Risk	Y	Y	Y	Y	R	R
Overall Rating	G	R	R	Y	R	R

Budget

HED is now citing total project costs of $16 million, posing increased risk. The Public Education Department is using $2.5 million from the grant to create a new kindergarten through 12th grade common education data standards longitudinal data system to serve as the primary source of K-12 data source for the NMLDS. The agency is nearly fully funded for phase one. HED was appropriated $4.5 million for FY25 for the continuation of the project.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding[1]	Spent to Date	Balance	Percent of Appropriations Spent
$3,954.3	$3,500.0	$7,454.3	$6,627.4	$546.2	88.9%

Schedule

The project originally was to complete phase one by June 2024, which would have transitioned the project into phase two in August 2024, with a completion date of September 2026. HED went to the project certification committee (PCC) to certify the release of funds to complete phase one, which was approved with contingencies such as reporting expenditures and contracts related to the project to DoIT and LFC. HED met contingencies for the release of funds but has yet to finish phase one.

Risk

The project team has developed initial visualizations, but key stakeholders wish to adjust the visualizations, impacting the project scope. Security testing and assessment efforts are in progress, but issues with the data warehouse pose risks to the project. Currently, there is no vendor in place for phase two of the project, posing some risk for the project overall.

Permitting and Inspection Software Modernization Project

OVERVIEW	
Project Phase	Implementation
Start Date	5/23/18
Est. End Date ***Revised*** ***Revised*** ***(Phase Five)***	9/30/23 6/30/24 6/30/26
Est. Total Cost ***Revised***	$7,297.0 (BCD Phase) $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.

Overall Status

The Regulation and Licensing Department (RLD) completed all scoped work for phase three by its delivery date of June 30, 2024, and is currently live in the Salesforce production environment for all its 28 Boards and Commissions Division boards. Phase four of the project, implementing the Alcohol and Beverage Control Division into Salesforce, also completed all scoped work by its target of its delivery date of June 30, 2024. Deliverable acceptance for both phase three and phase four has been approved by RLD leadership and is currently working with its vendor to close out all remaining invoices.

Measure	FY22 Rating	FY23 Rating	FY24 Q1	FY24 Q2	FY24 Q3	FY24 Rating
Budget	G	Y	G	G	G	G
Schedule	Y	Y	Y	G	G	G
Risk	G	Y	Y	G	G	G
Overall Rating	G	Y	Y	G	G	G

Budget

RLD has certified $16.6 million for all phases of the project. An additional $2.3 million that was awarded through Laws 2023, Chapter 210, Section 5 (65) because of the December 2022 cybersecurity breach was certified by the project certification committee in January 2024. RLD will expend the remaining balances from its operating expenses.

Budget Status Overview
(in thousands)

State	Federal	Total Available Funding[1]	Spent to Date	Balance	Percent of Appropriations Spent
$16,574.27	$0	$16,574.27	$16,574.27	$748.88	99.8%

Schedule

All project activities for phase three and phase four were completed in advance of the June 30, 2024, deadline for phase four. RLD has worked with its implementation vendor, Kyra, to ensure all tasks were completed as scheduled and to remediate potential slippage. RLD has closed out phase four and is waiting a new contract for phase five of the project but is to have started the new phase at the end of October 2024.

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, but RLD remains on project schedule and budget overall.

Tables

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

HB 2 - FY26 General Fund Appropriations Summary by Agency
(In thousands)

		AGENCY	FY25 General Fund Adj. OpBud	FY26 Total General Fund Request	FY26 Total General Fund Growth	FY26 General Fund Increase %	FY26 LFC Rec	FY26 LFC Rec Over/(Under) FY25 OpBud	FY26 LFC Rec Increase %
1									
2	**FEED BILL:**								
3	11100	Legislative Council Service	$ 10,829.7	$ 12,184.6	$ 1,354.9	12.5%	$ 12,184.6	$ 1,354.9	12.5%
4	11200	Legislative Finance Committee	$ 7,460.7	$ 7,460.7	$ -	0.0%	$ 7,460.7	$ -	0.0%
5	11400	Senate Chief Clerk	$ 3,422.0	$ 3,525.0	$ 103.0	3.0%	$ 3,525.0	$ 103.0	3.0%
6	11500	House Chief Clerk	$ 3,425.2	$ 3,528.0	$ 102.8	3.0%	$ 3,528.0	$ 102.8	3.0%
7	11700	Legislative Education Study Committee	$ 1,898.7	$ 1,946.2	$ 47.5	2.5%	$ 1,946.2	$ 47.5	2.5%
8	11900	Legislative Building Services	$ -		$ -	-		$ -	-
9	13100	Legislature	$ 7,103.7	$ 3,880.6	$ (3,223.1)	-45.4%	$ 3,880.6	$ (3,223.1)	-45.4%
10	13100	Legislature Staffing* $6m was in GAA last year	$ 6,000.0	$ 16,000.0	$ 10,000.0	166.7%	$ 16,000.0	$ 10,000.0	166.7%
11	**LEGISLATIVE:**		**$ 40,140.0**	**$ 48,525.1**	**$ 8,385.1**	**21%**	**$ 48,525.1**	**$ 8,385.1**	**20.9%**
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	$ 6,005.9	$ 6,034.7	$ 28.8	0.5%	$ 6,034.7	$ 28.8	0.5%
21									
22									
23	**LEGISLATIVE:**		**$ 6,005.9**	**$ 6,034.7**	**$ 28.8**	**$ 0.0**	**$ 6,034.7**	**$ 28.8**	**$ 0.0**
24			$ -						
25	20800	New Mexico Compilation Commission	$ 477.2	$ 477.2	$ 477.2	100.0%	$ 477.2	$ -	0.0%
26	21000	Judicial Standards Commission	$ 1,142.4	$ 1,182.1	$ 39.7	3.5%	$ 1,153.5	$ 11.1	1.0%
27	21500	Court of Appeals	$ 9,716.8	$ 10,239.7	$ 522.9	5.4%	$ 10,107.7	$ 390.9	4.0%
28	21600	Supreme Court	$ 9,131.8	$ 10,821.1	$ 1,689.3	18.5%	$ 9,599.7	$ 467.9	5.1%
29	21800	Administrative Office of the Courts	$ 50,352.3	$ 67,264.7	$ 16,912.4	33.6%	$ 59,191.0	$ 8,838.7	17.6%
30	23100	First Judicial District Court	$ 13,973.2	$ 14,368.1	$ 394.9	2.8%	$ 13,840.2	$ (133.0)	-1.0%
31	23200	Second Judicial District Court	$ 35,635.3	$ 39,199.7	$ 3,564.4	10.0%	$ 35,838.9	$ 203.6	0.6%
32	23300	Third Judicial District Court	$ 14,147.9	$ 14,985.6	$ 837.7	5.9%	$ 14,109.7	$ (38.2)	-0.3%
33	23400	Fourth Judicial District Court	$ 5,884.6	$ 6,204.7	$ 320.1	5.4%	$ 5,888.2	$ 3.6	0.1%
34	23500	Fifth Judicial District Court	$ 14,234.5	$ 15,512.7	$ 1,278.2	9.0%	$ 14,840.5	$ 606.0	4.3%
35	23600	Sixth Judicial District Court	$ 7,861.2	$ 8,006.0	$ 144.8	1.8%	$ 7,669.6	$ (191.6)	-2.4%
36	23700	Seventh Judicial District Court	$ 5,117.6	$ 5,470.8	$ 353.2	6.9%	$ 5,238.2	$ 120.6	2.4%
37	23800	Eighth Judicial District Court	$ 6,836.3	$ 7,338.5	$ 502.2	7.3%	$ 6,776.8	$ (59.5)	-0.9%
38	23900	Ninth Judicial District Court	$ 7,057.6	$ 7,619.3	$ 561.7	8.0%	$ 7,354.5	$ 296.9	4.2%
39	24000	Tenth Judicial District Court	$ 2,474.2	$ 2,611.3	$ 137.1	5.5%	$ 2,550.2	$ 76.0	3.1%
40	24100	Eleventh Judicial District Court	$ 15,209.9	$ 15,632.7	$ 422.8	2.8%	$ 14,337.0	$ (872.9)	-5.7%
41	24200	Twelfth Judicial District Court	$ 7,313.7	$ 7,574.7	$ 261.0	3.6%	$ 7,320.2	$ 6.5	0.1%
42	24300	Thirteenth Judicial District Court	$ 15,217.0	$ 15,596.1	$ 379.1	2.5%	$ 15,207.0	$ (10.0)	-0.1%
43	24400	Bernalillo County Metropolitan Court	$ 32,432.2	$ 33,605.4	$ 1,173.2	3.6%	$ 31,200.0	$ (1,232.2)	-3.8%
44	25100	First Judicial District Attorney	$ 8,815.1	$ 10,865.6	$ 2,050.5	23.3%	$ 9,103.4	$ 288.3	3.3%
45	25200	Second Judicial District Attorney	$ 34,046.8	$ 39,568.9	$ 5,522.1	16.2%	$ 35,766.8	$ 1,720.0	5.1%
46	25300	Third Judicial District Attorney	$ 7,314.9	$ 7,314.9	$ -	0.0%	$ 7,314.9	$ -	0.0%
47	25400	Fourth Judicial District Attorney	$ 4,900.6	$ 4,916.9	$ 16.3	0.3%	$ 4,916.9	$ 16.3	0.3%
48	25500	Fifth Judicial District Attorney	$ 7,989.3	$ 10,276.5	$ 2,287.2	28.6%	$ 8,431.4	$ 442.1	5.5%
49	25600	Sixth Judicial District Attorney	$ 4,297.6	$ 4,668.9	$ 371.3	8.6%	$ 4,479.5	$ 181.9	4.2%
50	25700	Seventh Judicial District Attorney	$ 3,895.2	$ 3,947.6	$ 52.4	1.3%	$ 3,947.6	$ 52.4	1.3%
51	25800	Eighth Judicial District Attorney	$ 4,604.8	$ 4,815.9	$ 211.1	4.6%	$ 4,815.9	$ 211.1	4.6%
52	25900	Ninth Judicial District Attorney	$ 4,778.8	$ 5,003.4	$ 224.6	4.7%	$ 4,790.0	$ 11.2	0.2%
53	26000	Tenth Judicial District Attorney	$ 2,173.3	$ 2,304.1	$ 130.8	6.0%	$ 2,237.8	$ 64.5	3.0%
54	26100	Eleventh Judicial District Attorney, Div I	$ 7,385.2	$ 8,317.5	$ 932.3	12.6%	$ 7,603.1	$ 217.9	3.0%
55	26200	Twelfth Judicial District Attorney	$ 5,181.3	$ 5,614.3	$ 433.0	8.4%	$ 5,337.5	$ 156.2	3.0%
56	26300	Thirteenth Judicial District Attorney	$ 8,941.6	$ 9,298.1	$ 356.5	4.0%	$ 9,174.9	$ 233.3	2.6%
57	26400	Administrative Office of the District Attorneys	$ 3,451.6	$ 5,167.5	$ 1,715.9	49.7%	$ 3,628.5	$ 176.9	5.1%
58	26500	Eleventh Judicial District Attorney, Division II	$ 3,495.4	$ 3,693.5	$ 198.1	5.7%	$ 3,599.9	$ 104.5	3.0%
59	28000	New Mexico Public Defender Department	$ 77,055.0	$ 87,438.1	$ 10,383.1	13.5%	$ 80,216.2	$ 3,161.2	4.1%
60			$ -						
61	**JUDICIAL:**		**$ 442,542.2**	**$ 496,922.1**	**$ 54,857.1**	**12.4%**	**$ 458,064.4**	**$ 15,522.2**	**3.5%**
62			$ -						
63	30500	Attorney General	$ 16,991.3	$ 16,991.3	$ -	0.0%	$ 16,991.3	$ -	0.0%
64	30800	State Auditor	$ 4,259.8	$ 5,015.6	$ 755.8	17.7%	$ 4,299.9	$ 40.1	0.9%
65	33300	Taxation and Revenue Department	$ 83,613.6	$ 86,172.9	$ 2,559.3	3.1%	$ 85,850.5	$ 2,236.9	2.7%
66	33700	State Investment Council	$ -	$ -	$ -	-		$ -	-
67	34000	Administrative Hearings Office	$ 2,549.7	$ 2,749.6	$ 199.9	7.8%	$ 2,628.0	$ 78.3	3.1%
68	34100	Department of Finance and Administration	$ 26,600.4	$ 25,055.6	$ (1,544.8)	-5.8%	$ 24,054.3	$ (2,546.1)	-9.6%
69	34200	Public School Insurance Authority	$ -	$ -	$ -	-		$ -	-
70	34300	Retiree Health Care Authority	$ -	$ -	$ -	-		$ -	-
71	34400	DFA Special Appropriations	$ 8,889.8	$ 13,237.6	$ 4,347.8	48.9%	$ 13,231.9	$ 4,342.1	48.8%
72	35000	General Services Department	$ 21,326.5	$ 25,732.1	$ 4,405.6	20.7%	$ 21,976.5	$ 650.0	3.0%
73	35200	Educational Retirement Board	$ -	$ -	$ -	-		$ -	-

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

HB 2 - FY26 General Fund Appropriations Summary by Agency
(In thousands)

		AGENCY	FY25 General Fund Adj. OpBud	FY26 Total General Fund Request	FY26 Total General Fund Growth	FY26 General Fund Increase %	FY26 LFC Rec	FY26 LFC Rec Over/(Under) FY25 OpBud	FY26 LFC Rec Increase %
74	35400	New Mexico Sentencing Commission	$ 1,514.3	$ 1,779.3	$ 265.0	17.5%	$ 1,514.3	$ -	0.0%
75	35600	Governor	$ 6,533.0	$ 6,804.0	$ 271.0	4.1%	$ 6,533.0	$ -	0.0%
76	36000	Lieutenant Governor	$ 838.5	$ 838.5	$ -	0.0%	$ 838.5	$ -	0.0%
77	36100	Department of Information Technology	$ 9,283.2	$ 15,483.2	$ 6,200.0	66.8%	$ 9,823.2	$ 540.0	5.8%
78	36200	Office of Broadband Access and Expansion	$ -	$ -	$ -	-		$ -	-
79	36600	Public Employees Retirement Association	$ 57.4	$ 57.0	$ (0.4)	-0.7%	$ 57.0	$ (0.4)	-0.7%
80	36900	State Commission of Public Records	$ 3,149.6	$ 3,812.4	$ 662.8	21.0%	$ 3,241.0	$ 91.4	2.9%
81	37000	Secretary of State	$ 17,172.2	$ 12,861.7	$ (4,310.5)	-25.1%	$ 8,787.3	$ (8,384.9)	-48.8%
82	37800	Personnel Board	$ 4,474.8	$ 5,563.0	$ 1,088.2	24.3%	$ 4,571.5	$ 96.7	2.2%
83	37900	Public Employee Labor Relations Board	$ 304.8	$ 330.3	$ 25.5	8.4%	$ 316.0	$ 11.2	3.7%
84	39400	State Treasurer	$ 4,703.3	$ 5,339.3	$ 636.0	13.5%	$ 4,703.3	$ -	0.0%
85			$ -						
86	**GENERAL CONTROL**		**$ 212,262.2**	**$ 227,823.4**	**$ 15,561.2**	**7.3%**	**$ 209,417.5**	**$ (2,844.7)**	**-1.3%**
87			$ -						
88	40400	Board of Examiners for Architects	$ -		$ -	-		$ -	-
89	41000	Ethics Commission	$ 1,712.9	$ 1,975.1	$ 262.2	15.3%	$ 1,802.3	$ 89.4	5.2%
90	41700	Border Authority	$ 531.0	$ 546.9	$ 15.9	3.0%	$ 539.3	$ 8.3	1.6%
91	41800	Tourism Department	$ 25,612.7	$ 26,602.1	$ 989.4	3.9%	$ 25,943.9	$ 331.2	1.3%
92	41900	Economic Development Department	$ 26,282.0	$ 29,277.5	$ 2,995.5	11.4%	$ 26,988.0	$ 706.0	2.7%
93	42000	Regulation and Licensing Department	$ 19,779.7	$ 23,717.3	$ 3,937.6	19.9%	$ 19,871.3	$ 91.6	0.5%
94	43000	Public Regulation Commission	$ 12,903.0	$ 14,335.3	$ 1,432.3	11.1%	$ 13,299.3	$ 396.3	3.1%
95	44000	Office Superintendent of Insurance	$ -		$ -	-	$ -	$ -	-
96	44600	Medical Board	$ -		$ -	-	$ -	$ -	-
97	44900	Board of Nursing	$ -		$ -	-	$ -	$ -	-
98	46000	New Mexico State Fair	$ 375.0	$ 590.0	$ 215.0	57.3%	$ 375.0	$ -	0.0%
99	46400	State Brd of Lic for Engin & Land Surveyors	$ -		$ -	-	$ -	$ -	-
100	46500	Gaming Control Board	$ 6,966.5	$ 7,943.6	$ 977.1	14.0%	$ 7,293.5	$ 327.0	4.7%
101	46900	State Racing Commission	$ 3,062.1	$ 5,232.6	$ 2,170.5	70.9%	$ 3,301.0	$ 238.9	7.8%
102	47900	Board of Veterinary Medicine	$ -		$ -	-	$ -	$ -	-
103	49000	Cumbres and Toltec Scenic Railroad Comm	$ 380.0	$ 394.0	$ 14.0	3.7%	$ 394.0	$ 14.0	3.7%
104	49100	Office of Military Base Planning and Support	$ 309.4	$ 568.7	$ 259.3	83.8%	$ 309.4	$ -	0.0%
105	49500	Spaceport Authority	$ 4,139.3	$ 4,222.1	$ 82.8	2.0%	$ 4,139.3	$ -	0.0%
106			$ -						
107	**COMMERCE & INDUSTRY**		**$ 102,053.6**	**$ 115,405.2**	**$ 13,351.6**	**13%**	**$ 104,256.3**	**$ 2,202.7**	**2.2%**
108			$ -						
109	50500	Cultural Affairs Department	$ 44,374.2	$ 48,835.1	$ 4,460.9	10.1%	$ 45,674.1	$ 1,299.9	2.9%
110	50800	New Mexico Livestock Board	$ 5,056.6	$ 9,496.7	$ 4,440.1	87.8%	$ 5,385.8	$ 329.2	6.5%
111	51600	Department of Game and Fish	$ -	$ -	$ -	-	$ -	$ -	-
112	52100	Energy, Minerals and Natural Resources Depart.	$ 40,680.7	$ 46,715.0	$ 6,034.3	14.8%	$ 42,942.7	$ 2,262.0	5.6%
113	52200	Youth Conservation Corps	$ -	$ -	$ -	-	$ -	$ -	-
114	53900	Commissioner of Public Lands	$ -	$ -	$ -	-	$ -	$ -	-
115	55000	State Engineer	$ 34,149.5	$ 43,899.5	$ 9,750.0	28.6%	$ 35,299.5	$ 1,150.0	3.4%
116			$ -						
117	**AGRICULTURE, ENERGY, & NATURAL RESOURCES:**		**$ 124,261.0**	**$ 148,946.3**	**$ 24,685.3**	**19.9%**	**$ 129,302.1**	**$ 5,041.1**	**4.1%**
118			$ -						
119	60100	Commission on the Status of Women	$ 419.4	$ 580.5	$ 161.1	38.4%	$ 419.4	$ -	0.0%
120	60300	Office of African American Affairs	$ 1,290.1	$ 1,320.1	$ 30.0	2.3%	$ 1,320.1	$ 30.0	2.3%
121	60400	Comm for Deaf and Hard-of-Hearing Persons	$ 1,671.4	$ 2,037.1	$ 365.7	21.9%	$ 1,884.3	$ 212.9	12.7%
122	60500	Martin Luther King, Jr. Commission	$ 390.6	$ 493.3	$ 102.7	26.3%	$ 392.3	$ 1.7	0.4%
123	60600	Commission for the Blind	$ 2,785.8	$ 3,164.3	$ 378.5	13.6%	$ 2,885.8	$ 100.0	3.6%
124	60900	Indian Affairs Department	$ 4,772.6	$ 5,356.4	$ 583.8	12.2%	$ 4,772.6	$ -	0.0%
125	61100	Early Childhood Education and Care Department	$ 348,074.2	$ 513,274.2	$ 165,200.0	47.5%	$ 351,034.2	$ 2,960.0	0.9%
126	62400	Aging and Long-Term Services Department	$ 71,467.1	$ 77,159.3	$ 5,692.2	8.0%	$ 74,476.3	$ 3,009.2	4.2%
127	63000	Health Care Authority Department	$ 1,992,879.7	$ 2,248,689.5	$ 255,809.8	12.8%	$ 2,071,784.0	$ 78,904.3	4.0%
128	63100	Workforce Solutions Department	$ 13,297.0	$ 14,297.0	$ 1,000.0	7.5%	$ 13,547.0	$ 250.0	1.9%
129	63200	Workers' Compensation Administration	$ -		$ -	-		$ -	-
130	64400	Division of Vocational Rehabilitation	$ 6,867.3	$ 7,318.6	$ 451.3	6.6%	$ 7,067.3	$ 200.0	2.9%
131	64500	Governor's Commission on Disability	$ 1,540.3	$ 1,806.1	$ 265.8	17.3%	$ 1,540.3	$ -	0.0%
132	64700	Developmental Disabilities Council	$ 9,361.1	$ 11,866.2	$ 2,505.1	26.8%	$ 9,968.8	$ 607.7	6.5%
133	66200	Miners' Hospital of New Mexico	$ -		$ -	-		$ -	-
134	66500	Department of Health	$ 201,111.6	$ 243,922.6	$ 42,811.0	21.3%	$ 210,988.5	$ 9,876.9	4.9%
135	66700	Department of Environment	$ 33,275.0	$ 33,275.0	$ -	0.0%	$ 32,604.2	$ (670.8)	-2.0%
136	66800	Office of the Natural Resources Trustee	$ 800.0	$ 970.0	$ 170.0	21.3%	$ 800.0	$ -	0.0%
137	67000	Veterans' Services Department	$ 8,391.1	$ 10,641.0	$ 2,249.9	26.8%	$ 8,621.1	$ 230.0	2.7%
138	68000	Office of Family Representation and Advocacy	$ 8,839.5	$ 11,267.7	$ 2,428.2	27.5%	$ 9,110.8	$ 271.3	3.1%
139	69000	Children, Youth and Families Department	$ 260,969.0	$ 298,719.5	$ 37,750.5	14.5%	$ 262,762.0	$ 1,793.0	0.7%
140			$ -						
141	**HEALTH, HOSPITALS, & HUMAN SERVICES:**		**$ 2,968,202.8**	**$ 3,486,158.4**	**$ 517,955.6**	**17.5%**	**$ 3,065,979.0**	**$ 97,776.2**	**3.3%**
142			$ -						
143	70500	Department of Military Affairs	$ 9,679.3	$ 11,892.0	$ 2,212.7	22.9%	$ 9,993.1	$ 313.8	3.2%
144	76000	Parole Board	$ 789.2	$ 1,056.8	$ 267.6	33.9%	$ 812.9	$ 23.7	3.0%
145	~~76500~~	~~Juvenile Parole Board~~	~~$ -~~		~~$ -~~	-		~~$ -~~	-
146	77000	Corrections Department	$ 337,208.1	$ 357,538.5	$ 20,330.4	6.0%	$ 347,236.8	$ 10,028.7	3.0%
147	78000	Crime Victims Reparation Commission	$ 13,972.2	$ 17,972.2	$ 4,000.0	28.6%	$ 14,472.2	$ 500.0	3.6%
148	79000	Department of Public Safety	$ 184,571.5	$ 201,149.4	$ 16,577.9	9.0%	$ 191,128.1	$ 6,556.6	3.6%
149	79500	Homeland Security and Emergency Mgmt	$ 4,009.9	$ 5,638.2	$ 1,628.3	40.6%	$ 4,131.9	$ 122.0	3.0%
150			$ -						
151	**PUBLIC SAFETY:**		**$ 550,230.2**	**$ 595,247.1**	**$ 45,016.9**	**8.2%**	**$ 567,775.0**	**$ 17,544.8**	**3.2%**
152			$ -						

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

HB 2 - FY26 General Fund Appropriations Summary by Agency

(In thousands)

		AGENCY	FY25 General Fund Adj. OpBud	FY26 Total General Fund Request	FY26 Total General Fund Growth	FY26 General Fund Increase %	FY26 LFC Rec	FY26 LFC Rec Over/(Under) FY25 OpBud	FY26 LFC Rec Increase %
153	80500	Department of Transportation	$ -	$ -	$ -	-	$ -	$ -	-
154			$ -						
155	**TRANSPORTATION:**		**$ -**	**$ -**	**$ -**	**-**	**$ -**	**$ -**	**-**
156			$ -						
157	92400	Public Education Department	$ 24,521.6	$ 27,521.6	$ 3,000.0	12.2%	$ 25,323.6	$ 802.0	3.3%
158	92500	Public Education Dept.-Special Approps	$ 67,350.0	$ 89,710.0	$ 22,360.0	33.2%	$ 68,701.0	$ 1,351.0	2.0%
159	93000	Regional Education Cooperatives		$ 1,350.0	$ 1,350.0	-		$ -	-
160	94000	Public School Facilities Authority	$ -		$ -	-	$ -	$ -	-
161			$ -						
162	**OTHER EDUCATION:**		**$ 91,871.6**	**$ 118,581.6**	**$ 26,710.0**	**29.1%**	**$ 94,024.6**	**$ 2,153.0**	**2.3%**
163			$ -						
164	95000	Higher Education Department	$ 186,193.1	$ 201,042.0	$ 14,848.9	8.0%	$ 187,571.8	$ 1,378.7	0.7%
165	95200	University of New Mexico	$ 469,824.6	$ 495,281.5	$ 25,456.9	5.4%	$ 483,746.8	$ 13,922.2	3.0%
166	95400	New Mexico State University	$ 287,766.1	$ 297,239.0	$ 9,472.9	3.3%	$ 298,058.9	$ 10,292.8	3.6%
167	95600	New Mexico Highlands University	$ 44,435.6	$ 45,195.1	$ 759.5	1.7%	$ 45,378.5	$ 942.9	2.1%
168	95800	Western New Mexico University	$ 34,242.2	$ 35,792.6	$ 1,550.4	4.5%	$ 35,381.1	$ 1,138.9	3.3%
169	96000	Eastern New Mexico University	$ 67,456.5	$ 70,137.4	$ 2,680.9	4.0%	$ 69,720.4	$ 2,263.9	3.4%
170	96200	NM Institute of Mining and Technology	$ 53,588.6	$ 58,352.4	$ 4,763.8	8.9%	$ 55,315.3	$ 1,726.7	3.2%
171	96400	Northern New Mexico College	$ 15,383.7	$ 16,444.7	$ 1,061.0	6.9%	$ 15,730.7	$ 347.0	2.3%
172	96600	Santa Fe Community College	$ 19,796.1	$ 20,249.1	$ 453.0	2.3%	$ 20,050.6	$ 254.5	1.3%
173	96800	Central New Mexico Community College	$ 81,296.8	$ 83,486.5	$ 2,189.7	2.7%	$ 83,171.8	$ 1,875.0	2.3%
174	97000	Luna Community College	$ 10,068.4	$ 10,156.5	$ 88.1	0.9%	$ 10,174.7	$ 106.3	1.1%
175	97200	Mesalands Community College	$ 5,440.1	$ 6,406.9	$ 966.8	17.8%	$ 5,768.3	$ 328.2	6.0%
176	97400	New Mexico Junior College	$ 9,023.8	$ 9,366.7	$ 342.9	3.8%	$ 9,201.2	$ 177.4	2.0%
177	97500	Southeast New Mexico College	$ 5,653.2	$ 5,752.5	$ 99.3	1.8%	$ 5,747.8	$ 94.6	1.7%
178	97600	San Juan College	$ 33,707.5	$ 34,405.8	$ 698.3	2.1%	$ 34,350.9	$ 643.4	1.9%
179	97700	Clovis Community College	$ 13,208.3	$ 13,442.9	$ 234.6	1.8%	$ 13,418.4	$ 210.1	1.6%
180	97800	New Mexico Military Institute	$ 5,350.5	$ 5,460.4	$ 109.9	2.1%	$ 5,460.4	$ 109.9	2.1%
181	97900	NM School for the Blind and Visually Impaired	$ 2,825.3	$ 2,906.7	$ 81.4	2.9%	$ 2,906.7	$ 81.4	2.9%
182	98000	New Mexico School for the Deaf	$ 6,015.9	$ 6,414.2	$ 398.3	6.6%	$ 6,414.2	$ 398.3	6.6%
183			$ -						
184	**HIGHER EDUCATION:**		**$ 1,351,276.3**	**$ 1,417,532.9**	**$ 66,256.6**	**4.9%**	**$ 1,387,568.5**	**$ 36,292.2**	**2.7%**
185			$ -						
186	99300	Public School Support	$ 4,335,657.5	$ 4,537,172.4	$ 201,514.9	4.6%	$ 4,596,474.5	$ 260,817.0	6.0%
187			$ -						
188	**PUBLIC SCHOOL SUPPORT:**		**$ 4,335,657.5**	**$ 4,537,172.4**	**$ 201,514.9**	**4.6%**	**$ 4,596,474.5**	**$ 260,817.0**	**6.0%**
189									
190									
191									
192		Compensation (Agencies/Higher Ed/Schools)			$ -	-	$ 100,000.0	$ 100,000.0	-
193		SPO Study Adjustments			$ -	-	$ 17,000.0	$ 17,000.0	-
194		GSD Risk Premiums					$ 17,000.0	$ 17,000.0	
195		Exec Longevity Pay and Benefits Staffing							
196	**COMPENSATION/OTHER**			**$ -**	**$ -**	**-**	**$ 134,000.0**	**$ 134,000.0**	**0.0%**
197									
198	**TOTAL GENERAL APPROPRIATION ACT**		**$ 10,184,363.3**	**$ 11,149,824.1**	**$ 965,938.0**	**9.5%**	**$ 10,752,896.6**	**$ 568,533.3**	**5.6%**
199									
200	**TOTAL FEED BILL AND GENERAL APPROPRIATION ACT**		**$ 10,224,503.3**	**$ 11,198,349.2**	**$ 974,323.1**	**9.5%**	**$ 10,801,421.6**	**$ 576,918.4**	**5.6%**

Table 2: U.S. and New Mexico Economic Indicators

U.S. and New Mexico Economic Indicators

		FY24		FY25		FY26		FY27		FY28		FY29	
		Aug 24 Forecast	Dec 24 Forecast	Aug 24 Forecast	Dec 24 Forecast	Aug 24 Forecast	Dec 24 Forecast	Aug 24 Forecast	Dec 24 Forecast	Aug 24 Forecast	Dec 24 Forecast	Aug 24 Forecast	Dec 24 Forecast
	National Economic Indicators												
S&P Global	US Real GDP Growth (annual avg.,% YOY)*	2.9	2.9	1.5	2.7	1.7	2.1	1.7	1.8	1.8	1.7	1.8	1.8
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	2.9	3.1	1.7	2.3	1.8	2.2	2.0	2.0	2.3	2.2	2.4	2.3
S&P Global	US Inflation Rate (CPI-U, annual avg., % YOY)**	3.0	2.8	2.0	2.5	2.8	2.2	1.9	2.1	2.3	2.4	2.3	2.2
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	3.3	3.3	2.8	2.4	2.4	2.5	2.3	2.4	2.2	2.3	2.2	2.3
S&P Global	Federal Funds Rate (%)	5.3	5.0	4.9	5.2	3.4	3.8	2.4	2.6	2.4	2.6	2.4	2.6
Moody's	Federal Funds Rate (%)	5.3	5.3	4.8	4.6	3.7	3.4	3.0	3.0	2.9	3.0	2.9	3.0
	New Mexico Labor Market and Income Data												
BBER	NM Non-Agricultural Employment Growth (%)	1.6	2.0	0.9	1.2	0.4	0.5	0.3	0.2	0.4	0.2	0.6	0.5
Moody's	NM Non-Agricultural Employment Growth (%)	1.8	1.8	1.2	1.2	0.4	0.5	0.1	0.1	0.0	0.0	0.1	0.0
BBER	NM Nominal Personal Income Growth (%)***	3.8	3.9	4.7	4.8	5.1	5.0	4.7	4.8	4.5	4.6	4.8	4.7
Moody's	NM Nominal Personal Income Growth (%)***	4.0	3.9	5.0	4.4	4.3	4.3	4.2	4.2	4.3	4.1	4.3	4.2
BBER	NM Total Wages & Salaries Growth (%)	6.6	6.9	4.1	4.8	4.2	4.4	3.8	4.1	3.6	3.7	4.1	4.2
Moody's	NM Total Wages & Salaries Growth (%)	7.1	6.9	5.3	4.7	4.0	4.1	3.7	3.8	3.6	3.7	3.6	3.6
BBER	NM Private Wages & Salaries Growth (%)	6.2	6.4	3.9	4.6	4.3	4.5	3.9	4.2	3.7	3.8	4.3	4.4
BBER	NM Real Gross State Product (% YOY)	3.6	4.6	1.5	1.4	1.2	1.4	1.5	1.7	1.5	1.7	1.3	1.6
Moody's	NM Real Gross State Product (% YOY)	3.7	4.6	1.5	1.4	1.4	1.7	1.5	1.6	1.7	1.6	1.7	1.6
CREG	NM Gross Oil Price ($/barrel)	$78.50	$78.50	$76.50	$70.50	$71.50	$68.00	$69.00	$70.00	$70.00	$70.50	$70.50	$71.50
CREG	NM Net Oil Price ($/barrel)*****	$68.92	$68.92	$67.17	$61.90	$62.78	$59.70	$60.58	$61.46	$61.46	$61.90	$61.90	$62.78
BBER	Oil Volumes (million barrels)	702	709	706	716	703	714	691	718	690	720	691	721
CREG	NM Taxable Oil Volumes (million barrels)	705	710	735	745	790	780	815	810	815	835	825	835
	NM Taxable Oil Volumes (%YOY growth)	7.1%	7.9%	4.3%	4.9%	7.5%	4.7%	3.2%	3.8%	0.0%	3.1%	1.2%	0.0%
CREG	NM Gross Gas Price ($ per thousand cubic feet)****	$3.20	$3.16	$3.57	$3.29	$4.20	$4.26	$4.36	$4.50	$4.39	$4.45	$4.46	$4.46
CREG	NM Net Gas Price ($ per thousand cubic feet)*****	$2.10	$2.07	$2.45	$2.21	$2.97	$3.02	$3.11	$3.22	$3.13	$3.18	$3.20	$3.19
BBER	Gas Volumes (billion cubic feet)	3,593	3,566	3,655	3,667	3,641	3,655	3,620	3,653	3,618	3,656	3,618	3,655
CREG	NM Taxable Gas Volumes (billion cubic feet)	3,540	3,570	3,685	3,680	3,825	3,775	3,940	3,855	3,975	3,955	4,000	4,085
	NM Taxable Gas Volumes (%YOY growth)	9.4%	10.3%	4.1%	3.1%	3.8%	2.6%	3.0%	2.1%	0.9%	2.6%	0.6%	3.3%

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 - July 2023 FOR-UNM baseline. S&P Global Insight - July 2023 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 2024

#	Revenue Source	FY24 Aug 24 Est.	FY24 Dec 24 Prelim	FY24 Change From Prior (Aug 24)	FY24 % Change from FY23	FY24 $ Change from FY23	FY25 Aug 24 Est.	FY25 Dec 24 Est.	FY25 Change From Prior (Aug 24)	FY25 % Change from FY24	FY25 $ Change from FY24	FY26 Aug 24 Est.	FY26 Dec 24 Est.	FY26 Change From Prior (Aug 24)	FY26 % Change from FY25	FY26 $ Change from FY25	#
1	*Base Gross Receipts Tax*	4,164.2	4,200.1	35.9	3.4%	137.6	4,228.8	4,311.6	82.8	2.7%	111.5	4,387.4	4,506.7	119.3	4.5%	195.1	1
2	*F&M Hold Harmless Payments*	(102.8)	(138.7)	(35.9)	24.6%	(27.4)	(93.5)	(103.4)	(9.9)	-25.4%	35.2	(84.5)	(90.3)	(5.8)	-12.7%	13.1	2
3	NET Gross Receipts Tax	4,061.4	4,048.6	(12.8)	2.5%	97.4	4,135.3	4,208.2	72.9	3.9%	159.6	4,302.9	4,416.4	113.5	4.9%	208.2	3
4	Compensating Tax	83.2	83.2	-	-11.5%	(10.8)	93.6	86.2	(7.4)	3.6%	3.0	96.9	89.5	(7.4)	3.9%	3.3	4
5	TOTAL GENERAL SALES	4,144.6	4,131.8	(12.8)	2.1%	86.6	4,228.9	4,294.4	65.6	3.9%	162.6	4,399.8	4,505.9	106.1	4.9%	211.5	5
6	Tobacco Products and Cigarette Taxes	71.1	71.1	-	-12.4%	(10.0)	70.2	70.2	-	-1.3%	(0.9)	69.4	68.8	(0.6)	-2.0%	(1.4)	6
7	Liquor Excise	24.3	24.0	(0.3)	-2.0%	(0.5)	24.5	24.4	(0.0)	1.8%	0.4	24.8	24.7	(0.0)	1.2%	0.3	7
8	Cannabis Excise	32.7	32.7	-	33.3%	8.2	36.6	32.7	(3.9)	0.1%	0.0	40.8	35.0	(5.8)	6.8%	2.2	8
9	Insurance Taxes	367.0	370.0	3.0	-5.3%	(20.9)	454.6	464.2	9.6	25.5%	94.2	442.7	451.5	8.8	-2.7%	(12.7)	9
10	Motor Vehicle Excise	166.8	167.3	0.6	1.6%	2.6	168.1	172.9	4.9	3.4%	5.6	169.7	177.6	7.9	2.7%	4.7	10
11	Gaming Excise	67.8	67.7	(0.1)	-6.1%	(4.4)	67.2	64.4	(2.8)	-4.9%	(3.3)	66.8	64.2	(2.6)	-0.3%	(0.2)	11
12	Leased Vehicle & Other	4.0	11.4	7.4	206.6%	7.7	4.1	4.3	0.2	-62.2%	(7.1)	4.2	4.7	0.5	9.4%	0.4	12
13	TOTAL SELECTIVE SALES	733.6	744.2	10.5	-2.6%	(19.7)	825.2	833.2	7.9	12.0%	89.0	818.4	826.5	8.1	-0.8%	(6.7)	13
14	Personal Income Tax	2,241.8	2,207.6	(34.2)	-12.2%	(307.2)	2,013.7	2,034.8	21.1	-7.8%	(172.8)	2,068.2	2,114.6	46.4	3.9%	79.8	14
15	*Gross Corporate Income Tax*	534.8	534.7	(0.1)	-0.8%	(4.6)	526.3	540.9	14.7	1.2%	6.2	508.1	539.3	31.2	-0.3%	(1.6)	15
16	*Pass-Through Entity Income Tax*[1]	190.2	190.2	-	-	190.2	327.0	357.5	30.5	87.9%	167.3	335.7	370.5	34.8	3.6%	13.0	16
17	*CIT Refundable Credits*	(102.2)	(102.2)	-	2.0%	(2.0)	(188.6)	(188.6)	(0.0)	84.6%	(86.4)	(179.1)	(179.1)	(0.0)	-5.0%	9.5	17
18	Total Corporate Income Tax	622.8	627.2	4.3	42.8%	188.1	664.6	709.8	45.2	13.2%	82.6	664.7	730.7	66.0	2.9%	20.9	18
19	TOTAL INCOME TAXES	2,864.6	2,834.7	(29.9)	-4.0%	(119.1)	2,678.3	2,744.6	66.3	-3.2%	(90.1)	2,732.9	2,845.3	112.4	3.7%	100.7	19
20	*Gross Oil and Gas School Tax*	1,829.2	1,810.6	(18.6)	-8.9%	(177.2)	1,917.5	1,778.8	(138.7)	-1.8%	(31.7)	2,017.4	1,923.4	(94.0)	8.1%	144.6	20
21	*Excess to TSR or Early Childhood Trust Fund*	(683.8)	(665.2)	18.6	-42.1%	484.6	(517.3)	(382.6)	134.7	-42.5%	282.6	(344.7)	(282.3)	62.4	-26.2%	100.3	21
22	*Excess to STPF*	-	-	-	-	-	(254.8)	(251.0)	3.8	-	(251.0)	(527.3)	(495.9)	31.4	97.6%	(244.9)	22
23	NET Oil & Gas School Tax	1,145.4	1,145.4	0.0	36.7%	307.4	1,145.4	1,145.4	-	0.0%	-	1,145.4	1,145.4	-	0.0%	-	23
24	Oil Conservation Tax	105.3	106.2	0.9	-3.4%	(3.8)	109.2	101.6	(7.6)	-4.4%	(4.6)	113.2	98.8	(14.4)	-2.7%	(2.7)	24
25	Resources Excise Tax	7.9	7.9	(0.0)	-14.5%	(1.3)	8.0	7.9	(0.1)	0.9%	0.1	8.0	7.9	(0.1)	0.1%	0.0	25
26	Natural Gas Processors Tax	52.4	53.5	1.1	52.4%	18.4	25.4	24.9	(0.5)	-53.5%	(28.6)	24.9	21.9	(3.0)	-12.0%	(3.0)	26
27	TOTAL SEVERANCE TAXES	1,311.0	1,313.0	2.0	32.3%	320.7	1,288.0	1,279.8	(8.2)	-2.5%	(33.2)	1,291.5	1,274.0	(17.4)	-0.4%	(5.7)	27
28	LICENSE FEES	67.1	72.8	5.8	14.3%	9.1	63.2	64.3	1.1	-11.8%	(8.6)	63.5	64.1	0.7	-0.2%	(0.1)	28
29	LGPF Interest	1,203.3	1,207.0	3.7	35.4%	315.6	1,341.6	1,349.9	8.3	11.8%	142.9	1,484.6	1,493.1	8.5	10.6%	143.2	29
30	STO Interest	390.0	390.5	0.5	115.3%	209.1	313.3	417.7	104.4	7.0%	27.2	265.3	279.7	14.4	-17.3%	(138.0)	30
31	STPF Interest	289.6	289.6	0.0	9.0%	23.8	332.8	332.8	-	14.9%	43.2	375.4	373.5	(1.9)	12.2%	40.7	31
32	TOTAL INTEREST	1,882.9	1,887.1	4.2	41.0%	548.5	1,987.7	2,100.4	112.7	11.3%	213.3	2,125.3	2,146.3	21.0	2.2%	45.9	32
33	*Gross Federal Mineral Leasing*	2,815.3	2,824.7	9.4	-11.5%	(367.6)	2,859.8	2,725.9	(133.9)	-3.5%	(98.8)	2,934.1	2,845.3	(88.8)	4.4%	119.4	33
34	*Excess to Early Childhood Trust Fund*	(1,170.4)	(1,179.8)	(9.4)	-43.1%	893.2	(881.2)	(745.4)	135.8	-36.8%	434.4	(547.0)	(483.1)	63.9	-35.2%	262.3	34
35	*Excess to STPF*	-		-	-	-	(333.7)	(335.6)	(1.9)	-	(335.6)	(742.2)	(717.3)	24.9	113.8%	(381.8)	35
36	NET Federal Mineral Leasing	1,644.9	1,644.9	-	46.9%	525.5	1,644.9	1,644.9	-	0.0%	(0.0)	1,644.9	1,644.9	-	0.0%	-	36
37	State Land Office	117.8	117.8	(0.0)	52.0%	40.3	71.3	71.3	-	-39.4%	(46.4)	74.3	74.3	-	4.2%	3.0	37
38	TOTAL RENTS & ROYALTIES	1,762.7	1,762.7	(0.0)	47.3%	565.8	1,716.2	1,716.2	-	-2.6%	(46.5)	1,719.2	1,719.2	-	0.2%	3.0	38
39	TRIBAL REVENUE SHARING	81.1	83.6	2.5	7.0%	5.4	82.0	84.0	2.0	0.5%	0.4	83.1	85.4	2.3	1.7%	1.4	39
40	MISCELLANEOUS RECEIPTS	63.8	77.9	14.2	66.7%	31.2	47.1	47.1	0.0	-39.6%	(30.8)	48.0	47.6	(0.4)	1.0%	0.5	40
41	REVERSIONS[2]	125.0	142.5	17.5	29.0%	32.0	100.0	100.0	-	-29.8%	(42.5)	100.0	100.0	-	0.0%	-	41
42	TOTAL RECURRING	13,036.4	13,050.2	13.8	12.6%	1,460.5	13,016.6	13,263.9	247.3	1.6%	213.7	13,381.7	13,614.4	232.7	2.6%	350.5	42
43	*Other Nonrecurring Revenue*		4.6			4.6											43
44	*2023 Nonrecurring Legislation*	(9.9)	(9.8)	0.1	-98.6%	684.8	-	-	-	-	9.8	-	-	-	-	-	44
45	*2022 Nonrecurring Legislation*	(4.7)	(4.5)	0.2	-94.4%	76.4	-	-	-	-	4.5	-	-	-	-	-	45
46	*Other Nonrecurring Reversions*	-	149.6	149.6	95.5%	73.1	-	-	-	-	(149.6)	-	-	-	-	-	46
47	TOTAL NONRECURRING	(14.6)	139.8	154.4	-120.0%	839.4	-		-	-	(139.8)	-		-	-	-	47
48	**GRAND TOTAL General Fund**	13,021.8	13,190.0	168.2	21.1%	2,299.9	13,016.6	13,263.9	247.3	0.6%	73.9	13,381.7	13,614.4	232.7	2.6%	350.5	48

[1]Legislative and administrative changes to the pass-through entity income tax changed how those receipts accrue to the general fund. Beginning tax year 2023, those receipts will accrue alongside corporate income tax receipts. The estimates presented here reflect estimates of pass-through entity income tax receipts according to that change.

[2] FY24 reversions include prior year reversions from the HCA and DOH of $31 million and $28 million, respectively.

General Fund Financial Summary
2025 Legislative Session LFC Budget Recommendation
(millions of dollars)

December 23, 2024
10:08 AM

	Estimate FY2024	Estimate FY2025	Estimate FY2026
APPROPRIATION ACCOUNT			
REVENUE			
August 2024 Consensus Revenue Estimate	$ 13,036.4	$ 13,016.6	$ 13,381.7
December 2024 Consensus Revenue Update	$ 13.8	$ 247.3	$ 232.7
Total Recurring Revenue	$ 13,050.2	$ 13,263.9	$ 13,614.4
Percent Change in Recurring Revenue	*12.6%*	*1.6%*	*2.6%*
Nonrecurring Revenue			
August 2024 Consensus Revenue Estimate	$ (14.6)	$ -	$ -
December 2024 Consensus Revenue Update	$ 154.4		
Total Nonrecurring Revenue	$ 139.8	$ -	$ -
TOTAL REVENUE	**$ 13,190.0**	**$ 13,263.9**	**$ 13,614.4**
APPROPRIATIONS			
Recurring Appropriations			
2022 Regular Session Recurring Legislation & Feed Bill	$ -		
2023 Regular Session Recurring Legislation & Feed Bill	$ 9,568.7		
2024 Regular Session Recurring Legislation & Feed Bill	$ 10.3	$ 10,219.5	
2025 Regular Session Recurring Legislation & Feed Bill		$ 17.0	$ 10,796.4
Total Recurring Appropriations	$ 9,578.9	$ 10,236.5	$ 10,796.4
Nonrecurring Appropriations			
2023 Regular Session Nonrecurring	$ 1,845.4		
2024 Regular Session ARPA Related Nonrecurring2	$ 57.1		
2024 Regular Session Nonrecurring Legislation	$ 1,225.2	$ 2,399.6	
2024 Special Session Nonrecurring Legislation	$ -	$ 103.0	
2025 Regular Session Nonrecurring Legislation		$ 992.2	$ 2,857.1
Total Nonrecurring Appropriations	$ 3,127.7	$ 3,494.8	$ 2,857.1
Subtotal Recurring and Nonrecurring Appropriations	$ 12,706.7	$ 13,731.3	$ 13,653.4
Audit Adjustments			
Estimated 2023 GAA Undistributed Nonrecurring Appropriations[1]	$ 428.5		
Audit Adjustments	$ 9.4		
TOTAL APPROPRIATIONS	**$ 13,144.6**	**$ 13,731.3**	**$ 13,653.4**
Transfer to (from) Operating Reserves	$ 102.5	$ (467.4)	$ (39.0)
Transfer to (from) Appropriation Contingency Fund (ARPA Funds)	$ (57.1)	$ -	$ -
TOTAL REVENUE LESS TOTAL APPROPRIATIONS	$ 45.4	$ (467.4)	$ (39.0)
GENERAL FUND RESERVES			
Beginning Balances	$ 4,042.8	$ 3,307.3	$ 3,073.6
Transfers from (to) Appropriations Account	$ 102.5	$ (467.4)	$ (39.0)
Revenue and Reversions	$ 883.6	$ 772.7	$ 987.8
Appropriations, Expenditures and Transfers Out	$ (1,864.6)	$ (539.1)	$ (495.3)
Ending Balances	**$ 3,164.2**	**$ 3,073.6**	**$ 3,527.0**
Reserves as a Percent of Recurring Appropriations	*33%*	*30%*	*33%*

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.

2) HB2 included $227.5 million of spending from ARPA funds in FY23 and $95 million of swaps of previous ARPA appropriations to general fund sources for a net spending of $132.5 million of ARPA. The governor vetoed language sourcing $23 million of appropriations to ARPA funds for GSD. Legal authority is unclear for those funds to then be general fund. This report assumes the $23 million appropriation is vetoed with language veto.

* Note: totals may not foot due to rounding

General Fund Financial Summary
2025 Legislative Session LFC Budget Recommendation
RESERVE DETAIL
(millions of dollars)

December 23, 2024
10:08 AM

	Estimate FY2024	Estimate FY2025	Estimate FY2026
OPERATING RESERVE			
Beginning Balance	$ 596.6	$ 606.6	$ 133.4
Transfers from tax stabilization reserve to restore balance to 1 percent [3]	$ -	$ -	$ 3.9
BOF Emergency Appropriations/Reversions	$ (4.0)	$ (4.0)	$ (4.0)
Transfers from (to) Appropriation Account	$ 102.5	$ (467.4)	$ (39.0)
Transfers to Tax Stabilization Reserve or Gov. Results and Opportunity Fund	$ -	$ -	$ -
Disaster Allotments [1]	$ (39.1)	$ (1.8)	$ -
Transfer from (to) ACF/Other Appropriations	$ (50.0)		$ -
Revenues and Reversions	$ 0.6	$ -	$ -
Transfers from tax stabilization reserve			
Ending Balance	$ 606.6	$ 133.4	$ 94.3
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	$ 54.5	$ 9.1	$ 151.1
Disaster Allotments[5]	$ (56.8)	$ (16.0)	$ (16.0)
ARPA Appropriation from 2021 Second Special Session, 2024 Regular Session)	$ 2.6	$ -	$ -
Other ARPA Appropriations (including 2022, 2023, 2024 Regular Sessions)	$ (57.1)	$ -	$ -
Transfers In	$ 50.0	$ 150.0	$ -
Revenue and Reversions	$ 15.9	$ 8.0	$ 8.0
Audit and Pre-Audit Adjustments			
Ending Balance	$ 9.1	$ 151.1	$ 143.1
STATE SUPPORT FUND			
Beginning Balance	$ 10.4	$ 0.4	$ 0.4
Revenues	$ -	$ 40.0	$ -
Appropriations	$ (10.0)	$ (40.0)	$ -
Impact Aid Liability FY20	$ -		
Impact Aid Liability FY21	$ -	$ -	$ -
Audit Adjustments	$ -	$ -	$ -
Ending Balance	$ 0.4	$ 0.4	$ 0.4
GOVERNMENT RESULTS AND OPPORTUNITY EXPENDABLE TRUST (GRO)[4]			
Beginning Balance		$ 512.2	$ 522.4
Revenues/Gains		$ 10.2	$ 10.4
Transfers from the Operating Reserve		$ -	
Appropriations to the Government Accountability Expendable Trust		$ -	$ 534.0
Expenditures		$ -	$ (130.6)
Audit Adjustments		$ -	$ -
Ending Balance		$ 522.4	$ 936.3
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)[2]			
Beginning Balance	$ 330.8264		
Transfers In	$ 27.4		
Appropriation to Tobacco Settlement Program Fund	$ (13.9)		
Gains(Losses)	$ 24.8		
Additional Transfers from (to) TSPF	$ -		
Ending Balance	$ 369.1		
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	$ 3,050.4	$ 2,179.0	$ 2,266.2
Revenues from Excess Oil and Gas Emergency School Tax	$ 683.8	$ 517.3	$ 344.7
Gains(Losses)	$ 89.1	$ 87.2	$ 90.7
Transfers In (From Operating Reserve)	$ -	$ -	$ -
Transfer Out to Operating Reserve [3]	$ -	$ -	$ (3.9)
Transfer Out to Higher Education Endowment Fund	$ (960.6)	$ -	$ -
Transfer Out to Early Childhood Trust Fund [4]	$ (683.8)	$ (517.3)	$ (344.7)
Ending Balance	$ 2,179.0	$ 2,266.2	$ 2,353.0
Percent of Recurring Appropriations	*22.7%*	*22.1%*	*21.8%*
TOTAL GENERAL FUND ENDING BALANCES	**$ 3,164.2**	**$ 3,073.6**	**$ 3,527.0**
Percent of Recurring Appropriations	*33%*	*30%*	*33%*

Notes:

1) DFA using operating reserve to cover disaster allotments due to insufficient balance in the appropriation contingency fund. FY20 includes $35.5 million for COVID-19 related responses. FY23 includes $71.9 million. FY24 includes $27.9 million. FY25 assumes $1.75 million.

2) The Tobacco Settlement Permanent Fund will no longer be counted in reserves starting in FY25 and the Government Results and Opportunity Fund will no longer be counted in reserves in FY26.

3) Laws 2020, Chapter 34 (House Bill 341) transfers from the tax stabilization reserve to the operating reserve if operating reserve balances are below one percent of appropriations, up to an amount necessary for the operating reserve to be one percent of total appropriations. Transfer shown here in future year as the transfer occurs after all appropriations and revenues during the audit and cannot be used for spending in the current year.

4) Laws 2020, Chapter 3 (HB83, Section 4) provides that oil and gas school tax revenue in excess of the five-year average be transferred to the Early Childhood Trust Fund instead of the tax stabilization reserves if reserve balances exceed 25 percent of recurring appropriations.

5)FY 24 executive orders totaled $85.4 million, as of the publication of this report. FY25 orders total $1.75 million as of this publication. The balance of the appropriation contingency fund is assumed to be exhausted with the remaining balance of expenditures assumed to be drawn from the operating reserve.

6) Laws 2022, Chapter 54 includes authority of up to $120 million from the operating reserve to the appropriation account to cover expenses. SB192 of the 2023 regular session includes authority for an additional $430 million.

* Note: totals may not foot due to rounding

Special, Supplemental, and Deficiency Appropriations

				LFC Recommendation					
	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
1	5	Court of Appeals	For pro tem judges and contract mediation services.	$100.0				$100.0	1
2	5	Administrative Office of the Courts	For hardware, software, equipment and professional services to upgrade cybersecurity tools, including an intrusion detection system for use by the judiciary contingent on compliance with the department of information technology's minimum cybersecurity standards.	$500.0				$500.0	2
3	5	Administrative Office of the Courts	For improvements, repairs and security infrastructure at court facilities statewide.	$6,000.0				$6,000.0	3
4	5	Administrative Office of the Courts	For information technology hardware and software for courts statewide.	$950.0				$950.0	4
5	5	Administrative Office of the Courts	For regional behavioral health planning and sequential intercept mapping in coordination with local behavioral health collaboratives.	$1,700.0				$1,700.0	5
6	5	Administrative Office of the Courts	For the substitute care advisory council, contingent on enactment of legislation of the first session of the fifty-seventh legislature transferring the substitute care advisory council to the administrative office of the courts. The internal services fund/interagency transfers appropriation is from federal title IV-E revenue. The administrative office of the courts shall establish a memorandum of understanding with the children, youth and families department to reimburse federal title IV-E eligible expenses associated with the substitute care advisory council.	$450.0		$100.0		$550.0	6
7	5	Second Judicial District Court	For the foreclosure settlement program. The internal service funds/interagency transfers appropriation is from the consumer settlement fund.			$750.3		$750.3	7
8	5	First Judicial District Attorney	To create and evaluate a diversion program for juveniles and young adults designed to reduce recidivism.	$100.0				$100.0	8
9	5	Second Judicial District Attorney	For the organized crime commission. The other state funds appropriations is from the consumer settlement fund.		$3,000.0			$3,000.0	9
10	5	Attorney General	For litigation of the tobacco master settlement agreement.	$800.0				$800.0	10
11	5	Auditor	To assist small local public bodies in attaining financial compliance.	$1,000.0				$1,000.0	11
12	5	Auditor	To develop a plan for migration to a single financial audit for the state of New Mexico.	$500.0				$500.0	12

Special, Supplemental, and Deficiency Appropriations

	Sec.	Agency	Item	LFC Recommendation GF	OSF	INT	FED	Total	
13	5	Taxation and Revenue Department	Subject to approval on an expenditure plan by the state board of finance the taxation and revenue department may request up to two million dollars ($2,000,000) from the appropriation contingency fund to implement tax and motor vehicle code changes.						13
14	5	Taxation and Revenue Department	To develop, enhance and maintain the systems of record.	$950.0				$950.0	14
15	5	Taxation and Revenue Department	To provide valid state identification cards and birth certificates to incarcerated individuals who are within six months of their scheduled release date, in collaboration with the corrections department and department of health.	$3,000.0				$3,000.0	15
16	5	Department of Finance and Administration	For an audit of the statewide human resources, accounting and management reporting system.	$1,000.0				$1,000.0	16
17	5	Department of Finance and Administration	For regional recreation centers and quality of life grants statewide for expenditure in fiscal year 2026.	$50,000.0				$50,000.0	17
18	5	Department of Finance and Administration	For the civil legal services fund. Up to one million dollars ($1,000,000) may be expended in fiscal year 2026. Any unexpended balances remaining at the end of fiscal year 2026 shall not revert to the general fund and may be expended through fiscal year 2028.	$4,000.0				$4,000.0	18
19	5	Department of Finance and Administration	For the New Mexico infrastructure conference.	$150.0				$150.0	19
20	5	Department of Finance and Administration	For the New Mexico match fund for expenditure in fiscal year 2026, including one million dollars ($1,000,000) for capacity building grants to local governments and technical assistance providers.	$75,000.0				$75,000.0	20
21	5	Department of Finance and Administration	To provide grants to criminal justice coordinating councils for crime reduction programs at district and magistrate courts, district attorney offices and public defender departments within judicial districts, and for criminal justice coordinating councils to conduct quarterly reviews of sub-grantee performance and program effectiveness.	$2,000.0				$2,000.0	21

Special, Supplemental, and Deficiency Appropriations

				LFC Recommendation					
	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
22	5	Department of Finance and Administration	To the local government division for grants to housing continuum of care organizations for consulting and strategic planning to support innovative models to end homelessness.	$2,000.0				$2,000.0	22
23	5	Department of Finance and Administration	To the local government division for grants to local governments to support a direct-to-housing encampment response, with streamline housing placements, on campsite services from outreach workers, housing navigators and case managers, ongoing closed campsite maintenance and an intensive focus on closure and cleaning of campsites.	$5,000.0				$5,000.0	23
24	5	General Services Department	To purchase vehicles for the state motor pool.	$5,000.0				$5,000.0	24
25	5	Department of Information Technology	For cybersecurity initiatives, including initiatives for public schools and institutions of higher education, to govern, identify, protect, detect, respond and recover including cybersecurity insurance coverage for the state. The general fund appropriation includes up to ten million dollars ($10,000,000) for distribution to higher education institutions statewide and shall not be used for administrative overhead expenses.	$15,000.0				$15,000.0	25
26	5	Department of Information Technology	To assess enterprise networks statewide.	$1,000.0				$1,000.0	26
27	5	Secretary of State	For moving expenses.	$100.0				$100.0	27
28	5	Secretary of State	To implement identity verification and multi-factor authentication for public-facing business services websites.	$300.0				$300.0	28
29	5	Tourism Department	For a national and international marketing and advertising campaign for expenditure in fiscal year 2026, including two million five hundred thousand dollars ($2,500,000) for the route 66 centennial celebration and one million dollars ($1,000,000) for a litter pick and beautification campaign.	$16,000.0				$16,000.0	29
30	5	Tourism Department	For grants to tribal and local governments for tourism-related infrastructure projects through the destination forward grant program through fiscal year 2027.	$1,900.0				$1,900.0	30
31	5	Tourism Department	To contract for services for an athletic competition for people with disabilities.	$300.0				$300.0	31

Special, Supplemental, and Deficiency Appropriations

				LFC Recommendation					
	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
32	5	Economic Development Department	For marketing and trade shows.	$750.0				$750.0	32
33	5	Economic Development Department	For proposals in advanced energy innovation and commercialization from New Mexico small businesses engaged in research and development.	$8,000.0				$8,000.0	33
34	5	Economic Development Department	For science and technology business startup grants.	$4,000.0				$4,000.0	34
35	5	Economic Development Department	For science and technology commercialization proposals from faculty and student teams at New Mexico universities.	$800.0				$800.0	35
36	5	Economic Development Department	For site characterization and pre-development assessment for expenditure in fiscal year 2026, contingent on the enactment of legislation of the first session of the fifty-seventh legislature creating a framework for assessing potential economic development sites to determine the improvements needed for economic development purposes.	$35,000.0				$35,000.0	36
37	5	Economic Development Department	For the expansion and maintenance of the business incubator programs.	$525.0				$525.0	37
38	5	Economic Development Department	For the outdoor equity fund for fiscal year 2026.	$3,000.0				$3,000.0	38
39	5	Economic Development Department	For the trails plus program for expenditure in fiscal year 2026.	$10,000.0				$10,000.0	39
40	5	Economic Development Department	To establish a research, development and deployment fund contingent on enactment of legislation of the first session of the fifty-seventh legislature creating a research and development fund to offer matching grants for federal research funding.	$25,000.0				$25,000.0	40
41	5	Public Regulation Commission	For information technology purchases.	$500.0				$500.0	41
42	5	Public Regulation Commission	To administer the community solar program.	$700.0				$700.0	42

Special, Supplemental, and Deficiency Appropriations

	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
				LFC Recommendation					
43	5	Office of the Superintendent of Insurance	For implementation of the Health Care Consolidation Oversight Act, contingent on the enactment of the Health Care Consolidation Oversight Act or similar legislation in the first session of the fifty-seventh legislature.	$1,500.0				$1,500.0	43
44	5	Office of the Superintendent of Insurance	For the New Mexico fair access to insurance requirements plan pilot project in Lincoln county, contingent on enactment of legislation of the first session of the fifty-seventh legislature increasing residential and commerical property limits in Lincoln county, expanding risk coverage and requiring fair access to insurance requirements plan holders to mitigate properties to insurance institute for business and home safety wildfire prepared home standards.	$49,500.0				$49,500.0	44
45	5	Cultural Affairs Department	For expenses related to programming and events for the semiquincentennial celebration for expenditure through fiscal year 2027.	$250.0				$250.0	45
46	5	Cultural Affairs Department	For marketing and public relations for museums and historic sites in partnership with the marketing excellence bureau of the tourism department.	$1,000.0				$1,000.0	46
47	5	Cultural Affairs Department	For Native American Graves Protection and Repatriation Act compliance for expenditure through fiscal year 2026.	$2,500.0				$2,500.0	47
48	5	Cultural Affairs Department	To upgrade websites to comply with the federal Americans with Disabilities Act.	$350.0				$350.0	48
49	5	Livestock Board	For equipment for meat packing facilities, including composters.	$3,000.0				$3,000.0	49
50	5	Department of Game and Fish	To implement conservation actions for bighorn sheep statewide. The other state funds appropriation is from the big game enhancement fund of the game protection fund.		$1,000.0			$1,000.0	50
51	5	Energy, Minerals and Natural Resources Department	For the state supplemental land and water conservation fund.	$8,000.0				$8,000.0	51
52	5	Energy, Minerals and Natural Resources Department	To match federal funds for grants programs under the Infrastructure Investment and Jobs Act.	$940.7				$940.7	52
53	5	Energy, Minerals and Natural Resources Department	To support development of a New Mexico-specific quadrennial energy review and transition plan.	$2,000.0				$2,000.0	53

Special, Supplemental, and Deficiency Appropriations

	Sec.	Agency	Item	LFC Recommendation GF	OSF	INT	FED	Total	
54	5	Energy, Minerals and Natural Resources Department	To support the community energy efficiency block grant statewide.	$5,000.0				$5,000.0	54
55	5	State Engineer	For project development allocations to the non-pueblo settlement beneficiaries identified in Indian water rights settlement agreements for expenditure in fiscal year 2026. Any unexpended balances remaining at the end of fiscal year 2026 from this appropriation shall not revert and may be expended through fiscal year 2028.	$20,000.0				$20,000.0	55
56	5	State Engineer	For state compliance with the 2003 Pecos settlement agreement, including required augmentation pumping and to support other drought relief activities on the lower Pecos basin. Any unexpended balances remaining at the end of fiscal year 2026 from this appropriation shall not revert and may be expended through fiscal year 2027.	$3,000.0				$3,000.0	56
57	5	Commission for the Deaf and Hard-of-Hearing Persons	For an audit of revenue collection for the telecommunication relay service fund in collaboration with the taxation and revenue department.	$100.0				$100.0	57
58	5	Commission for the Deaf and Hard-of-Hearing Persons	To replace information technology equipment.	$132.0				$132.0	58
59	5	Early Childhood Education and Care Department	To support professional development staff in building skills to support evidence-based early intervention practice and autism supports.	$2,000.0				$2,000.0	59
60	5	Aging and Long-Term Services Department	For emergencies, disaster preparedness, urgent supplemental programmatic needs and planning to serve seniors and adults with disabilities.	$600.0				$600.0	60
61	5	Health Care Authority	For a pilot to integrate medication-assisted treatment into primary care settings.	$2,500.0				$2,500.0	61
62	5	Health Care Authority	For additional vouchers in the linkages program.	$5,000.0				$5,000.0	62
63	5	Health Care Authority	For capacity building for the criminal justice medicaid waiver initiative.	$4,973.4			$17,160.0	$22,133.4	63

Special, Supplemental, and Deficiency Appropriations

	Sec.	Agency	Item	LFC Recommendation GF	OSF	INT	FED	Total	
64	5	Health Care Authority	For grants to counties and municipalities for regional transitional acute care facilities and certified community behavioral health clinics that are located in a municipality with a state instituion of higher education and remain eligible for medicaid. Thea health care authority shall consult with the department of health when making grants to counties and municipalities. Funding may be used to cover services and lease costs, including community-based services and supports.	$43,000.0				$43,000.0	64
65	5	Health Care Authority	For grants to counties, municipalities, and Indian nations, tribes and pueblos for regional mobile crisis and recovery response, intervention and outreach teams, in consultation with the department of public safety.	$11,500.0				$11,500.0	65
66	5	Health Care Authority	For grants to counties, municipalities, Indian nations, tribes, and pueblos for assisted outpatient treatment, medication-assisted treatment, assertive community treatment, other best practice and evidence-informed outpatient and diversion services, practices and community-based wraparound services and resources.	$10,000.0				$10,000.0	66
	5	Health Care Authority	For grants to federally qualified health centers, counties, municipalities and Indian nations, tribes and pueblos for twenty-four hour crisis response facilities, associated services and technical assistance support. Funding may be used to cover service, logistic and lease costs not eligible for medicaid funding on a multiyear basis.	$7,500.0				$7,500.0	
67	5	Health Care Authority	For grants to integrate behavioral health incentive-based treatment into other substance use disorder treatment modalities including medication-assisted treatment, prioritizing criminal justice involved and homeless populations.	$2,500.0				$2,500.0	67
68	5	Health Care Authority	For startup costs to build capacity for housing providers for people experiencing homelessness and to build capacity for medical services for people involved with the criminal justice system.	$8,129.4			$28,638.6	$36,768.0	68
69	5	Health Care Authority	To improve the quality of services provided to children in state custody through a quality services review and to come into compliance with litigation against the state.	$607.4				$607.4	69

Special, Supplemental, and Deficiency Appropriations

	Sec.	Agency	Item	LFC Recommendation GF	OSF	INT	FED	Total	
70	5	Health Care Authority	To study the merits, feasibility, costs and likely enrollment in a proposed new Medicaid waiver for people with serious mental illness or substance dependency leading to regular confinement in county jails or intensive overuse of hospital emergency rooms or other emergency or crisis services versus continuing with the current service array for people with serious mental illness.	$1,000.0				$1,000.0	70
71	5	Workforce Solutions Department	For a study to identify evidence-based or research-based strategies to increase the labor force participation rate.	$750.0				$750.0	71
72	5	Workforce Solutions Department	For disaster unemployment payment adjustments. The other state funds appropriation is from the unemployment insurance trust fund.		$50.0			$50.0	72
73	5	Workforce Solutions Department	For employment case management.	$750.0				$750.0	73
74	5	Workforce Solutions Department	For intensive outreach for out-of-school and at-risk youth.	$500.0				$500.0	74
75	5	Workforce Solutions Department	To assist displaced workers in affected communities pursuant to Section 62-18-16 NMSA 1978. The other state funds appropriation is from the energy transition displaced worker assistance fund.		$6,906.2			$6,906.2	75
76	5	Workforce Solutions Department	To implement and evaluate youth pre-apprenticeship programs targeted toward science, technology, engineering and math industries and programs that provide a direct pathway to a registered apprenticeship program.	$600.0				$600.0	76
77	5	Workforce Solutions Department	To the paid family and medical leave fund for expenditure in fiscal year 2026 to implement the Paid Family and Medical Leave Act contingent on legislation of the first session of the fifty-seventh legislature creating the paid family medical leave program.	$35,000.0				$35,000.0	77
78	5	Developmental Disabilities Council	For contracts to support the center for self-advocacy's state jobs program and to update federal grants and human resources policies.	$60.0				$60.0	78
79	5	Developmental Disabilities Council	To reduce the waiting list for legal and guardianship services in fiscal year 2026.	$500.0				$500.0	79

Special, Supplemental, and Deficiency Appropriations

	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
				LFC Recommendation					
80	5	Department of the Environment	For federal match and clean up of superfund sites and costs associated with the Terrero mine. The other state funds appropriation is from the consumer settlement fund. Any unexpended balances remaining at the end of fiscal year 2026 from this appropriation shall not revert and may be expended through fiscal year 2027.		$5,700.0			$5,700.0	80
81	5	Department of the Environment	For regionalization of water systems and the development of the utility operator workforce.	$2,750.0				$2,750.0	81
82	5	Department of the Environment	For the development and implementation of compliance and enforcement strategies, including laboratory analytical services.	$3,000.0				$3,000.0	82
83	5	Department of the Environment	To address private well water contamination from per-and polyfluoroalkyl chemicals in Curry county and other areas of the state.	$2,000.0				$2,000.0	83
84	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.	$20,000.0				$20,000.0	84
85	5	Office of Natural Resources Trustee	To pursue emerging natural resource injury claims against responsible parties. The other state funds appropriation is from the consumer settlement fund.		$10,000.0			$10,000.0	85
86	5	Veterans' Services	To leverage federal revenues for transitional housing services for homeless veterans and their families including life skills training and case management services.	$200.0				$200.0	86
87	5	Children, Youth and Families Department	For an external entity to conduct an organizational health and employee survey and develop strategies and recommendations for workforce retention.	$100.0				$100.0	87
88	5	Children, Youth and Families Department	For increases to the agency's liability insurance premiums in fiscal year 2026.	$1,471.0				$1,471.0	88
89	5	Children, Youth and Families Department	To contract with an external entity to conduct a foster care provider rate study	$100.0				$100.0	89
90	5	Children, Youth and Families Department	To hire an external contractor to reclaim and maximize the drawdown of federal Title IV-E revenues from prior and current fiscal years.	$200.0				$200.0	90
91	5	Department of Military Affairs	For startup costs related to the New Mexico job challenge academy.	$162.0				$162.0	91

Special, Supplemental, and Deficiency Appropriations

				LFC Recommendation					
	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
92	5	Corrections Department	For grants to counties for discharge planning from correctional facilities and to assist discharged persons to connect with recovery support services and treatment and community-based behavioral health supports that supplement or enhance transitional services covered by medicaid. The corrections department shall consult with the health care authority and the department of health when making grants to counties.	$1,300.0				$1,300.0	92
93	5	Corrections Department	To continue hepatitis c treatment and program monitoring. Any unexpended balances from this appropriation remaining at the end of fiscal year 2026 shall not revert and may be expended through fiscal year 2027. The other state funds appropriation is from penitentiary income fund.	$22,200.0	$17,800.0			$40,000.0	93
94	5	Corrections Department	To upgrade the offender management system.	$2,500.0				$2,500.0	94
95	5	Department of Public Safety	For fingerprinting equipment.	$900.0				$900.0	95
96	5	Department of Public Safety	For grants to counties, municipalities and Indian nations, tribes and pueblos to be used by law enforcement and behavioral health service providers to purchase regional mobile crisis response, recovery and outreach equipment and vehicles.	$5,000.0				$5,000.0	96
97	5	Department of Public Safety	For grants to state agencies, counties, municipalities and Indian nations, tribes and pueblos for diversion, crisis intervention, collaborative and embedded crisis response, mental health, social work, community and intercept resources training.	$2,000.0				$2,000.0	97
98	5	Department of Public Safety	For honor guard equipment and training.	$300.0				$300.0	98
99	5	Department of Public Safety	For maintenance and repair of law enforcement aircraft.	$1,500.0				$1,500.0	99
100	5	Department of Public Safety	For purchase of New Mexico State Police special investigative equipment.	$461.2				$461.2	100
101	5	Department of Public Safety	For state crime laboratories to outsource backlogged DNA cases.	$5,700.0				$5,700.0	101
102	5	Department of Public Safety	To continue the implementation of a commercial off-the-shelf records management system.	$499.6				$499.6	102

Special, Supplemental, and Deficiency Appropriations

				LFC Recommendation					
	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
103	5	Department of Public Safety	To purchase and equip law enforcement vehicles, including license plate readers.	$6,000.0				$6,000.0	103
104	5	Homeland Security and Emergency Management	To enhance and integrate current operating systems	$275.0				$275.0	104
105	5	Public Education Department	For a reading intervention program based on the science of reading.	$30,000.0				$30,000.0	105
106	5	Public Education Department	For a statewide student information system.	$12,000.0				$12,000.0	106
107	5	Public Education Department	For community school and family engagement initiatives. Up to four hundred thousand dollars ($400,000) may be used by the public education department to evaluate student outcomes and implementation and accredit community schools. The public education department shall prioritize awards to school districts and charter schools that provide local matching funds for community school coordinators.	$6,000.0				$6,000.0	107
108	5	Public Education Department	For K-12 plus program units pursuant to Section 22-8-23.14 NMSA 1978 for expenditure in fiscal year 2026.	$15,000.0				$15,000.0	108
109	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	109
110	5	Public Education Department	For outdoor classrooms.	$500.0				$500.0	110
111	5	Public Education Department	For out-of-school time learning opportunities, summer enrichment and high-dosage tutoring. The general fund appropriation includes eight million five hundred thousand dollars ($8,500,000) for high-dosage tutoring.	$15,000.0				$15,000.0	111
112	5	Public Education Department	For regional and statewide school safety summits.	$200.5				$200.5	112
113	5	Public Education Department	For safety and statewide deployment of mobile panic buttons at public schools.	$1,000.0				$1,000.0	113
114	5	Public Education Department	For summer internship opportunities for working-age high school students.	$5,000.0				$5,000.0	114

Special, Supplemental, and Deficiency Appropriations

				LFC Recommendation					
	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
115	5	Public Education Department	For the career technical education pilot project, including career technical student organizations, innovation zones and work-based learning initiatives.	$40,000.0				$40,000.0	115
116	5	Public Education Department	For the induction, preparation and evaluation of educators and school administrators, contingent on enactment of legislation in the first session of the fifty-seventh legislature creating standards for induction, preparation and evaluation of educators and school administrators.	$2,280.0				$2,280.0	116
117	5	Public Education Department	For the learning management system that delivers learning resources to students, educators and administrators outside of the classroom setting. The other state funds appropriation is from the public education reform fund.		$3,700.0			$3,700.0	117
118	5	Public Education Department	For the recruitment and retention of educator fellow and grow your own teacher scholarships pursuant to the Grow Your Own Teachers Act. The public education department shall prioritize awards to school districts and charter schools that provide local matching funds for participating educators. The other state funds appropriation is from the grow your own teachers fund.	$15,000.0	$300.0			$15,300.0	118
119	5	Higher Education Department	For distribution to the higher education institutions of New Mexico for building renewal and replacement and facility demolition. 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. Up to ten million dollars ($10,000,000) may be used for facility demolition.	$40,000.0				$40,000.0	119
120	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	120

Special, Supplemental, and Deficiency Appropriations

	Sec.	Agency	Item	LFC Recommendation GF	OSF	INT	FED	Total	
	5	Higher Education Department	For New Mexico community colleges and regional universities for program development costs and to purchase equipment supporting noncredit workforce training programs resulting in industry-recognized certificates or credentials. Higher education institutions shall submit an application to the higher education department including the certificates or credential to be supported and equipment to be purchased as applicable. The higher education department shall distribute funds to institutions based on the application by July 1, 2025.	$2,700.0				$2,700.0	
121	5	Higher Education Department	For the health professional loan repayment program, with priority for professionals working in a behavioral health setting, including certified community behavioral health clinics, working in a criminal justice setting or serving homeless populations.	$15,000.0				$15,000.0	121
122	5	Higher Education Department	To the teacher loan repayment fund.	$5,000.0				$5,000.0	122
123	5	Higher Education Department	To the technology enhancement fund for distribution to eligible higher education institutions.	$20,000.0				$20,000.0	123
124	5	University of New Mexico	To the board of regents of the university of New Mexico for the university of New Mexico health sciences center for the center of Native American health for Native American faculty teaching and research endowments.	$5,000.0				$5,000.0	124
125	5	University of New Mexico	To the health sciences center and the department of health for mobile health units, medication-assisted treatment and other health outreach for homeless persons, including telemedicine.	$2,000.0				$2,000.0	125
126	5	New Mexico State University	To purchase equipment, instrumentation, laboratory facility improvements and other supplies for water treatment.	$1,250.0				$1,250.0	126
127	5	New Mexico State University	To the department of agriculture for soil and water conservation districts.	$3,000.0				$3,000.0	127
128	5	New Mexico Institute of Mining and Technology	To the bureau of geology for aquifer monitoring and improved groundwater characterization.	$19,000.0				$19,000.0	128
129	5	Mesalands Community College	To purchase equipment for the wind technology and commercial driver's license programs.	$300.0				$300.0	129
130	5	San Juan College	To purchase equipment for a heavy equipment operator program.	$430.0				$430.0	130

Special, Supplemental, and Deficiency Appropriations

				LFC Recommendation					
	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
131	6	Supreme Court	To complete the installation for the backup generator for the New Mexico Supreme Court building.	$342.0				$342.0	131
132	6	Administrative Office of the Courts	For court interpreters.	$107.5				$107.5	132
133	6	Administrative Office of the Courts	For judicial salary increases authorized by Chapter 3 of Laws 2024 for all of district courts, the Bernalillo county metropolitan court and the court of appeals.	$2,034.5				$2,034.5	133
134	6	Administrative Office of the Courts	To purchase security equipment and contract security guards for the administrative office of the courts.	$310.9				$310.9	134
135	6	First Judicial District Court	To resolve a deficit fund balance.	$30.6				$30.6	135
136	6	Third Judicial District Court	For contract security at the Dona Ana magistrate courts.	$34.9				$34.9	136
137	6	Thirteenth Judicial District Court	For expansion of the Sandoval county judicial complex.	$98.5				$98.5	137
138	6	Second Judicial District Attorney	For personnel costs, expert witnesses and transcription fees.	$500.0				$500.0	138
139	6	Administrative Office of the District Attorneys	To support workforce capacity building for prosecutors. The other state funds appropriation is from the public attorney workforce capacity building fund.		$1,200.0			$1,200.0	139
140	6	Law Offices of the Public Defender	To support workforce capacity building for public defenders. The other state funds appropriation is from the public attorney workforce capacity building fund.		$675.3			$675.3	140
141	6	Administrative Hearings Office	To purchase laptops, desktop computers and related equipment.	$20.0				$20.0	141
142	6	Secretary of State	For the election fund.	$5,500.0				$5,500.0	142
143	6	Secretary of State	To correct a deficiency in the election fund from fiscal year 2024 expenses.	$2,100.0				$2,100.0	143
144	6	Secretary of State	to true up a negative cash standing from an expired capital outlay project.	$65.0				$65.0	144
145	6	Spaceport Authority	For projected shortfalls in the other category. The other state funds appropriation is from the spaceport authority fund.		$675.0			$675.0	145
146	6	Spaceport Authority	To shore up a prior year cash deficit in the spaceport authority's capital projects fund.	$24.0				$24.0	146

Special, Supplemental, and Deficiency Appropriations

				LFC Recommendation					
	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
147	6	Early Childhood Education and Care Department	For provider rate increases to family infant and toddler providers in fiscal year 2025.	$2,000.0				$2,000.0	147
148	6	Health Care Authority	For a shortfall in the state health benefits program.	$124,153.6				$124,153.6	148
149	6	Developmental Disabilities Council	To reduce the waitlist for guardianship services in fiscal year 2025.	$300.0				$300.0	149
150	6	Veterans' Services	For a deficiency created by the transfer of the Truth or Consequences veterans' home.	$881.4				$881.4	150
151	6	Children, Youth and Families Department	To address a deficiency in the facts childcare payment fund.	$50.0				$50.0	151
152	6	Public Education Department	For a fiscal year 2025 budgetary shortfall in providing universal free school meals pursuant to the Healthy Hunger-Free Students' Bill of Rights Act.	$7,848.0				$7,848.0	152
153	6	Public Education Department	For a prior year shortfall in providing universal free school meals pursuant to the Healthy Hunger-Free Students' Bill of Rights Act.	$3,054.0				$3,054.0	153
154	6	Public Education Department	To address a lease liability shortfall.	$230.3				$230.3	154
155	6	Public Education Department	To remediate legacy cash deficits within the K-3 plus fund, reading materials fund and school library material fund. The other state funds appropriation is from the public education reform fund.		$15.5			$15.5	155
156	9	Administrative Office of the Courts	For grants to judicial districts to enhance regional case management, behavioral health grant writing, peer-operated crisis response and recovery support services, behavioral health and homeless outreach and engagement; and grants to judicial districts based on the submitted regional plans for specialty, diversion, problem-solving and treatment courts and associated programs and pretrial services.		$7,000.0			$7,000.0	156
158	9	Administrative Office of the Courts	For the special court services program for electronic monitoring of pretrial defendants.		$3,833.7			$3,833.7	158
159	9	Administrative Office of the Courts	For the special court services program to provide legal assistance to individuals.		$1,500.0			$1,500.0	159
160	9	Personnel Board	To implement the recommendations of the 2024 personnel act study.		$2,850.0			$2,850.0	160

Special, Supplemental, and Deficiency Appropriations

	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
				LFC Recommendation					
161	9	Regulation and Licensing Department	For compliance officers, vehicles and equipment for the cannabis control division.		$4,420.0			$4,420.0	161
162	9	Regulation and Licensing Department	For law enforcement officers for the cannabis control division, contingent on enactment of legislation of the first session of the fifty-seventh legislature granting law enforcement powers to agents of the cannabis control division.		$3,915.0			$3,915.0	162
163	9	Department of Game and Fish	For capacity building to conserve species of greatest conservation need, including the American beaver.		$10,500.0			$10,500.0	163
164	9	Health Care Authority	[YEAR ONE]To support food banks statewide and ensure access to nutritious food with up to fifty percent of the first year appropriation used for expanding capacity and the remainder for food purchases. [YEAR TWO] To support food banks statewide and ensure access to nutritious food with up to twenty-five percent of the second year appropriation used for completing capacity building projects and the remainder for food purchases. [YEAR THREE]To support food banks statewide and ensure access to nutritious food through food purchases.		$30,000.0			$30,000.0	164
165	9	Health Care Authority	For food for women with high risk pregnancies and people on the community benefit.		$14,276.2		$50,292.8	$64,569.0	165
166	9	Health Care Authority	For medical services for incarcerated individuals up to 90 days prior to release including case management, medication assisted treatment, 30-day supply of prescription drugs and other medical services.		$17,776.2		$62,622.7	$80,398.9	166
167	9	Health Care Authority	To to provide medical respite for the homeless.		$10,815.9		$38,102.7	$48,918.6	167
168	9	Children, Youth and Families Department	To establish, pilot and review the outcomes of a child welfare training academy, The Children, Youth and Families Department shall seek reimbursement for any cost eligible for federal Title IV-E reimbursement. The other state funds appropriation includes six hundred and sixty thousand from federal Title IV-E revenue.		$5,400.0		$1,985.0	$7,385.0	168

Special, Supplemental, and Deficiency Appropriations

				LFC Recommendation					
	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
169	9	Children, Youth and Families Department	To fund personnel costs to meet Kevin S. caseload standards. CYFD shall annually report to the Legislative Finance Committee the number and percent of caseworkers who hold caseloads that meet the Kevin S. settlement agreement standards and the number and percent of caseworkers who hold caseloads that do not meet the Kevin S. settlement caseload standards.		$24,000.0		$6,000.0	$30,000.0	169
170	9	Corrections Department	For medication-assisted treatment.		$33,900.0			$33,900.0	170
171	9	Public Education Department	For attendance initiatives to reduce excessive student absenteeism, contingent on legislation of the first session of the fifty-seventh legislature requiring evidence-based program evaluation for projects receiving appropriations from the public education reform fund. Up to one million dollars ($1,000,000) may by used by the public education department to conduct a randomized controlled trial to evaluate and monitor outcomes. The other state funds appropriation is from the public education reform fund.		$30,999.0			$30,999.0	171
172	9	Public Education Department	For initiatives to improve outcomes for Native American students and for a study of funding formulas for tribal departments of education, contingent on legislation of the first session of the fifty-seventh legislature requiring evidence-based program evaluation for projects receiving appropriations from the public education reform fund. Up to five hundred thousand dollars ($500,000) may by used by the public education department for quasi-experimental studies to evaluate and monitor outcomes. The other state funds appropriation is from the public education reform fund.		$15,500.0			$15,500.0	172

Special, Supplemental, and Deficiency Appropriations

	Sec.	Agency	Item	LFC Recommendation GF	OSF	INT	FED	Total	
173	9	Public Education Department	For innovative or strategic school staffing models, contingent on legislation of the first session of the fifty-seventh legislature requiring evidence-based program evaluation for projects receiving appropriations from the public education reform fund. Up to six hundred forty thousand dollars ($640,000) may by used by the public education department to conduct a randomized controlled trial to evaluate and monitor outcomes. The public education department may waive requirements for class load, teaching load, minimum salary levels and staffing patterns for schools in the treatment group. The other state funds appropriation is from the public education reform fund.		$19,839.0			$19,839.0	173
174	9	Public Education Department	For school improvement initiatives, contingent on legislation of the first session of the fifty-seventh legislature requiring evidence-based program evaluation for projects receiving appropriations from the public education reform fund. Up to nine hundred fifty thousand dollars ($950,000) may by used by the public education department to conduct quasi-experimental studies to evaluate and monitor outcomes. The other state funds appropriation is from the public education reform fund.		$29,450.0			$29,450.0	174
175	9	Public Education Department	For training educators in evidence-based math instruction, contingent on legislation of the first session of the fifty-seventh legislature requiring evidence-based program evaluation for projects receiving appropriations from the public education reform fund. Up to one million two hundred forty thousand dollars ($1,240,000) may by used by the public education department to conduct a randomized controlled trial to evaluate and monitor outcomes. The other state funds appropriation is from the public education reform fund.		$38,439.0			$38,439.0	175

Special, Supplemental, and Deficiency Appropriations

	Sec.	Agency	Item	LFC Recommendation GF	OSF	INT	FED	Total	
176	9	Public Education Department	For training secondary educators in evidence-based reading instruction, contingent on legislation of the first session of the fifty-seventh legislature requiring evidence-based program evaluation for projects receiving appropriations from the public education reform fund. Up to five hundred thousand dollars ($500,000) may by used by the public education department to conduct a randomized controlled trial to evaluate and monitor outcomes. The other state funds appropriation is from the public education reform fund.		$15,500.0			$15,500.0	176
177	9	Higher Education Department	For a distribution to state-controlled four-year degree granting higher education institutions for student retention initiatives. The distributions shall be determined by a formula created by the department in consultation with the legislative finance committee. To qualify for a distribution, the current year retention rate for first-time, full-time students retained to the second year must exceed the retention rate for the prior year. The formula shall provide an equal per-student distribution provided that no institution shall receive an award greater than one and one-half percent of the general fund appropriation for instruction and general expenses for fiscal year 2025.□ [YEAR 1 $4.5M; YEAR 2 $6.5m; YEAR 3 $9M]		$20,000.0			$20,000.0	177
178	9	New Mexico State University	For the college assistance migrant program.		$999.0			$999.0	178
179	10	Auditor	[AUDIT FUND] The general fund transfer is in fiscal year 2025.	$2,000.0				$2,000.0	179
180	10	Department of Finance and Administration	[APPROPRIATION CONTINGENCY FUND] The general fund transfer is in fiscal year 2025.	$150,000.0				$150,000.0	180
181	10	Department of Finance and Administration	[CHILD CARE REVOLVING LOAN FUND] The general fund transfer is in fiscal year 2025.	$10,000.0				$10,000.0	181
182	10	Department of Finance and Administration	[COMMUNITY BENEFIT FUND]. The general fund transfer is in fiscal year 2026 contingent on legislation of the first session of the fifty seventh legislature creating the fund.	$350,000.0				$350,000.0	182

Special, Supplemental, and Deficiency Appropriations

				LFC Recommendation					
	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
183	10	Department of Finance and Administration	[GOVERNMENT RESULTS AND OPPORTUNITY EXPENDABLE TRUST] The general fund transfer is in fiscal year 2026.	$534,000.0				$534,000.0	183
184	10	Department of Finance and Administration	[GOVERNMENT RESULTS AND OPPORTUNITY PROGRAM FUND] The general fund transfer is in fiscal year 2026.	$66,000.0				$66,000.0	184
185	10	Department of Finance and Administration	[NEW MEXICO HOUSING TRUST FUND] The general fund transfer is in fiscal year 2026 for the New Mexico mortgage finance authority as the state housing authority to establish a program to support the expansion of housing services providers that facilitate behavioral health services and substance abuse recovery, homelessness assistance and prevention for persons with behavioral health needs and transitional housing.	$50,000.0				$50,000.0	185
186	10	Department of Finance and Administration	[WATER PROJECT FUND] The general fund transfer is in fiscal year 2026 for projects authorized by the legislature in 2025 and 2026.	$222,000.0				$222,000.0	186
187	10	Public School Insurance Authority	For the benefits fund. The general fund transfer is in fiscal year 2025.	$40,000.0				$40,000.0	187
188	10	Public School Insurance Authority	For the risk fund to reimburse the authority for severe hail damage and lightning strike damage claims in fiscal year 2023. The general fund transfer is in fiscal year 2025.	$23,863.2				$23,863.2	188
189	10	General Services Department	[PUBLIC LIABILITY FUND] The other state funds transfer is from the state purchasing fees fund. The general fund transfer is in fiscal year 2025.		$5,000.0			$5,000.0	189
190	10	Energy, Minerals and Natural Resources Department	[WILDFIRE PREPAREDNESS FUND]. The general fund appropriation is is fiscal year 2026 and is contingent on enactment of legislation of the first session of the fifty seventh legislature creating a fund for wildfire preparedness.	$12,000.0				$12,000.0	190
191	10	Workers' Compensation Administration	[WORKERS COMPENSATION ADMINISTRATION FUND] The general fund transfer is in fiscal year 2026.	$6,000.0				$6,000.0	191
192	10	Children, Youth and Families Department	[CHILDREN'S TRUST FUND] The general fund transfer is in fiscal year 2026.	$6,000.0				$6,000.0	192
193	10	Children, Youth and Families Department	[NEXT GENERATION FUND] The general fund transfer is in fiscal year 2026.	$4,000.0				$4,000.0	193

Special, Supplemental, and Deficiency Appropriations

				LFC Recommendation					
	Sec.	Agency	Item	GF	OSF	INT	FED	Total	
194	10	Public Education Department	[PUBLIC EDUCATION REFORM FUND] The general fund transfer is in fiscal year 2026 contingent on legislation of the first session of the fifty-seventh legislature amending the fund to require evidence-based program evaluation for projects receiving appropriations from the public education reform fund.	$150,000.0				$150,000.0	194
195	10	Public Education Department	[STATE SUPPORT RESERVE FUND]. The general fund transfer is in fiscal year 2025.	$40,000.0				$40,000.0	195
196	10	Computer System Enhancement Fund	[COMPUTER SYSTEM ENHANCEMENT FUND]. The general fund transfer is in fiscal year 2025.	$28,520.0				$28,520.0	196
197	11	Department of Transportation	For right-of-way acquisitions, planning, study, design and construction, field supplies, roadway rehabilitation, prevention maintenance, roadway maintenance, reconstruction or new construction. Funds appropriated in this section may be used to match state or federal funds.	$188,000.0				$188,000.0	197
198	11	Department of Transportation	For the clean up New Mexico roadway beautification program.						198
199	11	Department of Transportation	For the transportation project fund.	$100,000.0				$100,000.0	199
200	11	Department of Transportation	For the wildlife corridors fund.	$50,000.0				$50,000.0	200
201	11	Department of Transportation	To purchase heavy equipment, split equally between the six transportation districts.	$12,000.0				$12,000.0	201

	LFC Recommendation				
	GF	OSF	INT	FED	Total
Section 5: Specials	$855,097.2	$48,956.2	$850.3	$45,798.6	**$950,702.3**
Section 6: Supplementals	$143,480.2	$2,550.3			**$146,030.5**
Section 6:Deficiencies	$6,205.0	$15.5			**$6,220.5**
Section 9: Government Results and Opportunity		$340,913.0		$159,003.2	**$499,916.2**
Section 10: Fund Transfers	$1,694,383.2	$5,000.0			**$1,699,383.2**
Section 11: Transportation	$350,000.0				**$350,000.0**
Grand Total	**$3,049,165.6**	**$397,435.0**	**$850.3**	**$204,801.8**	**$3,652,252.7**