



# LFC Newsletter

A publication of the Legislative Finance Committee

Representative Nathan Small, Chairman  
Senator George Muñoz, Vice Chairman  
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## From the Chairman To Do List

In less than 30 hours of a special legislative session, state lawmakers took decisive and responsible steps to protect vital services cut by the federal government.

Legislation adopted will save New Mexicans who get insurance through the healthcare exchange thousands of dollars in healthcare costs and shore up supports for rural healthcare. Food banks and pantries statewide will get state support, and New Mexicans who rely on food stamps will be able to continue to rely on the program, thanks to millions of dollars allocated to preserve benefits for the elderly and disabled and maintain the minimum benefit for all New Mexicans. And public broadcast media stations throughout the state, stations that are often the only source for local news and which provide critical emergency notices, will stay on the air.

We did all that, expanded behavioral health programs in the courts, and added staff to public assistance programs, without eating into the balance in our operating reserve, ensuring we are still in good shape for any economic turmoil that may be coming our way.

But that doesn't mean we're done.

When state legislators head back to Santa Fe in January for the 30-day session, we will still need to consider additional steps to address not just the impacts of the many cuts in the federal budget reconciliation bill, but also ongoing problems in New Mexico's healthcare and public assistance systems.

Lawmakers took an important first step in expanding access to statewide healthcare during the special session by funding the framework for New Mexico to join interstate medical provider licensing compacts. Now, we need to follow through with legislation that would officially bring us into those compacts.

We've also raised Medicaid provider rates to make New Mexico more competitive and attract healthcare professionals. Still, too many communities remain underserved. We need to think bigger, beyond just paying more than neighboring states, about what will convince doctors and other providers to build their lives and practices here.

Even with the state stepping up to cover subsidies for those who buy insurance through the health exchange, health plan costs have surged 36 percent, putting coverage out of reach for too many families.

Over the last few years, we've utilized our resources to make major investments in our families and communities. But we're not done yet. As destabilizing federal policies threaten to undo state progress, we have to double down on protecting what we've built and keep moving New Mexico forward.

We got a lot done during the special session, but there is still much to do.

**Representative Nathan Small**  
Chairman

## PED Asks for Small Increase for Public School Support

The Public Education Department is asking for an \$88.5 million increase for public school support in FY27, a 1.9 percent increase that does not include money for pay raises.

The request, scheduled for a preview before the committee at 9:15 a.m. October 14, does not include funding for personnel salary and benefit increases. Those increases added \$181.1 million to this year's budget.

The request asks for essentially flat spending for transportation costs and the state equalization guarantee—the pool of money distributed to schools through a needs-based formula.

The department's request for funding for special programs outside the formula—"below the line" funding—would jump by \$45.9 million to \$116 million, a 65.3 percent increase over the current year.

The agency is asking for a total of \$182.7 million for one-time spending, including \$57 million from the public education reform fund for tutoring and out-of-school-time programs.

The request includes funding for several new initiatives, including almost

\$10 million for math educator stipends and substitutes, \$5 million for literacy institute operations, and \$3 million for outdoor classrooms.

The request also expands existing appropriations for educator professional development, school safety, administrator preparation, artificial intelligence, summer math programs, and career and technical education initiatives.

In a staff briefing prepared for the hearing, staff note New Mexico's performance on the National Assessment of Educational Progress, the national education report card, ranks 50th in the nation and remains below pre-pandemic levels. State testing shows math scores have remained flat over the last 10 years, although reading scores are improving.

Graduation rates have improved slightly since 2015, but the need for remedial college courses, after declining in recent years, is on the rise.

While chronic absenteeism rates of 29.8 percent are an improvement over the pandemic high of 40.7 percent, they remain higher than the prepandemic rate of 16 percent.

## County Fund Balances Growing

With income growing faster than expenses, total county fund balances grew 140 percent between FY18 and FY24, from \$1.6 billion to \$3.9 billion, LFC analysis shows.

In a [brief](#) presented to the committee in September, LFC program evaluators report most counties are bringing in more in tax and fee revenue, interest earnings, and state support than they need for expenses, leading to a build up in balances.

The brief is the first in a series that will look at local government finances.

Data in an [online dashboard](#) connected to the report shows the growth in funding has been especially strong in Lea and Eddy counties, both in the oil-rich Permian Basin.

The report notes total government funds in Lea County jumped by more than 750 percent between FY18 and FY24, while the total in Guadalupe County decreased by 77 percent.

Taos County, in the middle, had

growth of 88 percent between FY18 and FY24.

The report notes state support to local governments increased significantly between FY19 and FY25, with funding available through dedicated funds for fire protection, local roads, law enforcement, and other needs up 31 percent for a total of \$168.4 million.

Distributions to local governments from the law enforcement protection fund have increased 300 percent and distributions from the county detention fund have roughly doubled.

One-time state appropriations to local governments in FY26 were 1,328 times larger than in FY18. The number of items funded with nonrecurring state money increased from one in FY18—\$250 thousand for remediation of the Carlsbad brine well—to 33 in FY26 totaling \$332 million.

The total amount of nonrecurring appropriations to local governments peaked in FY24 at \$458 million.

# Flat Revenue Growth Expected Through Decade

A decade that started with extraordinary revenue growth, followed by a steep decline, is expected to end with steady but flat growth between 3 percent and 4 percent, LFC staff reports.

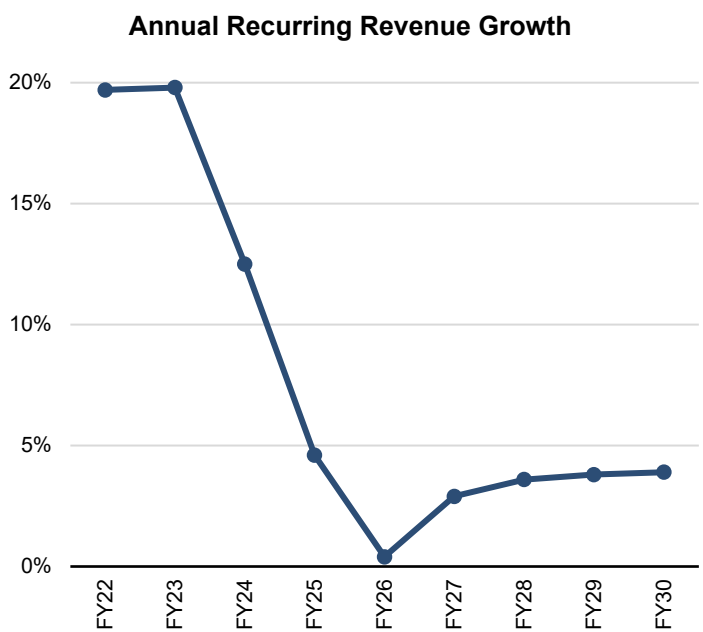
Recurring revenues for FY26 are estimated at \$13.7 billion, 0.4 percent more than generated in FY25, while estimated recurring revenues for FY27 are \$14.1 billion, 2.9 percent over FY26, according to the [General Consensus Revenue Estimate](#) released in August.

While growth is expected to continue at a steady pace beyond FY27, both New Mexico's reliance on the volatile oil and gas industry and a national recession pose a risk to the estimate.

The report notes oil production growth is already experiencing a slow-down, although the natural gas boom has begun to show new strength.

Growth in the U.S. economy, strong at the end of 2024, is starting to show signs of faltering, with swings in the gross domestic product and the labor market showing signs of weakness.

However, the most recent survey of business and academic economists polled by the *Wall Street Journal* in July put the risk of a U.S. recession at 33 percent, down from 45 percent in April but up from the end of 2024. Neither Moody's nor S&P Global's baseline economic forecast includes a recession within the forecast period.



Source: Consensus Revenue Estimating Group

## On the Table

### Rig Count Down

The number of oil rigs in New Mexico was at 95 as of the last week of September, down nine from 104 one year ago but up from the prior week. The rig count for the Permian Basin was at 253, down 53 rigs from 306 a year ago.

### Film Industry Jobs Declining

New Mexico film employment continued to slide in early 2025, based on the latest detailed jobs data available. The number of jobs directly related to the film industry average 1,400 in the first quarter of 2025, half the average for the same period in 2024. The slowdown in New Mexico mirrors a national decline.

### WNMU Enrollment Down

Fall enrollment at Western New Mexico University is down about 9.3 percent after a cyberattack this summer took down the public website. The University of New Mexico reports fall enrollment is up by about 2.3 percent, and New Mexico State University reports a 3.9 percent increase.

### DOH IT Project Stalled

The Department of Health reports no progress on its \$22 million electronic health records IT project. The project would support a unified health portal with digitized patient records across DOH's six healthcare facilities and more than 50 public health offices statewide. The project was funded in 2019 but work did not start until 2022 and has not progressed since then.

### Universities Ask for Federal Fund Backfill

The University of New Mexico's budget request for FY27 includes \$16.1 million in state funds to replace federal grants that have been canceled. New Mexico State University is asking for \$3.2 million to backfill federal grants.

### Mora County Out of Audit Compliance

Mora County is out of compliance with the state Audit Act for failing to submit its FY24 audit, failure to enter into a contract with an independent public accountant for its FY25 audit, and failure to resolve a decade-long material weakness related to pooled cash reconciliation identified in its FY23 audit, according to an Office of the State Auditor notification to the Department of Finance and Administration. DFA is now required to order Mora County to begin submitting monthly financial reports until the past-due audit is submitted and the secretary of DFA is satisfied that Mora County is in compliance with the Audit Act. This notice comes on the heels of County Manager Richard Trujillo announcing his resignation a week ago, less than five months into his contract. OSA is also currently conducting a special audit of Mora County in response to allegations the county misused a disaster relief loan.

### Transitions

Kirbie Seis is joining the LFC administration team as the new receptionist. Kirbie has a background in the film industry, where she worked as an independent audio professional.

Danielle Ceballes is the newest LFC program evaluator. A practicing attorney in the private sector, Ceballes has a law degree from the University of New Mexico and served as president pro tem for the Associated Students of New Mexico State University as an undergraduate. Kelly Klundt, LFC deputy director of administration, has been appointed vice chair of the National Conference of State Legislatures standing committees and co-chair of the Children, Families and Human Services Committee. The appointment as vice chair of the standing committees also includes an appointment to the Legislative Staff Coordinating Committee.

Sue Cleveland, superintendent of Rio Rancho Public Schools since the creation of the district in 1994, has announced plans to retire this school year. Cleveland is the longest serving district superintendent in New Mexico.



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