

A budget battle takes shape at the Roundhouse

Funding for child care assistance, health care administrative costs key differences in dueling budget plans

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SANTA FE — With less than two weeks until the start of a 30-day legislative session, a budget battle could be brewing at the Roundhouse.

A key New Mexico legislative panel rolled out an \$11.1 billion budget plan Wednesday that features significantly less proposed spending growth than a plan unveiled last month by Gov. Michelle Lujan Grisham.

Specifically, the Legislative Finance Committee's spending plan would increase year-over-year state spending by about \$268 million, or roughly 2.5%. In contrast, the governor's budget recommendation

calls for spending to increase by about \$503 million, or roughly 4.6%, over current levels.

The difference between the dueling spending plans is primarily attributable to higher proposed spending amounts in the governor's budget in two areas: Health care administrative costs imposed by a new federal budget bill and a universal child care initiative announced in September.

Several legislators have expressed misgivings about the hefty price tag and rollout of the universal child care plan, which made New Mexico the first state in the nation to offer free child care to all families regardless of income levels.

During a Wednesday news conference at the state Capitol, Rep. Nathan Small, D-Las Cruces, said the LFC's budget plan does not include an additional \$160 million to prop up the program for the coming year that was included in the executive plan.

He said lawmakers are keenly focused on addressing affordability issues for New Mexico families, but indicated the Legislature is not fully on board with removing income limits for receiving state-paid child care.

"We have to do that in a responsible way that financially works," said Small, who is the LFC's chairman.

He also pointed out the state's child care assistance program has already seen its funding increase from about \$150 million in 2022 to roughly \$440 million as of this year.

However, a Lujan Grisham spokesman said the Democratic governor would continue pushing to secure funding for the initiative.

“Governor Lujan Grisham is disappointed by the LFC’s early childhood budget proposal, but she is not surprised — and she is not deterred,” said the governor’s spokesman Michael Coleman.

“Executive and legislative budgets are rarely aligned initially,” Coleman added. “The governor is confident the Legislature will fund universal childcare at levels that match the public’s strong support for this historic initiative.”

Lujan Grisham recently entered her final year as New Mexico’s governor, after first being elected in 2018 and then reelected in 2022. Her emerging lame duck status could mean decreased leverage on budget-related issues during the 30-day session that starts Jan. 20.

Under New Mexico’s system, both the governor and the Legislature release separate spending plans before the start of each regular session. Lawmakers then use the two plans as blueprints of sorts to craft a new budget for the coming fiscal year, which starts July 1.

State law also prohibits an outgoing governor’s administration from spending more than half of appropriated funds before the governor leaves office at the end of December, which is the budget year’s midpoint.

Agreement on pay raises, road funding

While the governor and the Democratic-controlled Legislature appear to be on a collision course on some budgetary issues, there are also areas of agreement.

The legislative plan, just like the governor’s plan, calls for 1% salary increases for all state workers and teachers, starting in July.

Those pay raises would be smaller than in recent years, but the legislative budget recommendation also calls for \$73.2 million to be spent to increase the state’s share for public school employees’ health insurance premiums. A similar policy change was made last year for state workers.

Sen. George Muñoz, D-Gallup, said the change could result in annual savings of about \$2,000 for teachers around New Mexico making \$60,000 to \$70,000 per year.

Whitney Holland, the president of the American Federation of Teachers- New Mexico union, said Wednesday the change would be “huge” for educators who were disappointed to be excluded from last year’s legislation.

“We were really thrilled about that,” said Holland.

Another area of agreement between the executive and legislative budget plans is the need to repair and rebuild highways around New Mexico, as the percentage of roadways deemed acceptable in the state has decreased from 75% in 2011 to 69% in 2023.

The legislative spending plan would authorize \$155 million in one-time road maintenance funding, along with additional money for local and tribal governments.

That’s slightly more than the \$100 million for statewide road construction and repairs proposed by the governor.

Rep. Jack Chatfield, R-Mosquero, who was the lone Republican legislator to speak at Wednesday’s news conference, said the legislative budget plan isn’t perfect but addresses key funding priorities.

“There’s a few things I don’t like, and there’s a few things that I do like,” quipped Chatfield.

New Mexico on better fiscal footing than other states

Despite a recent revenue slowdown prompted by falling oil prices and a decline in corporate income tax collections, several lawmakers pointed out Wednesday that New Mexico has a more stable budget outlook than many other states.

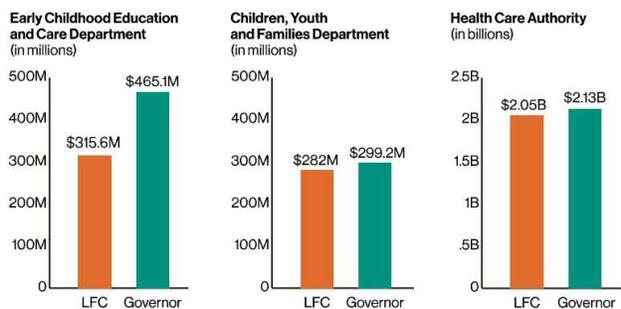
In neighboring Colorado, for instance, Gov. Jared Polis recently proposed cutting the state’s contributions to a public employee pension fund to help cover a budget shortfall.

In contrast, New Mexico is on track to avoid spending reductions due in large part to hefty distributions from the state’s permanent funds, which surpassed \$64 billion in total value this summer after several years of record-high oil production.

Senate Majority Leader Peter Wirth, D-Santa Fe, said New Mexico is currently the “envy” of other states around the country.

Dueling budgets

A budget plan released by the Legislative Finance Committee contains several key differences to a plan released last month by Gov. Michelle Lujan Grisham. Here are some examples:



Figures represent total proposed FY27 recurring funding levels.

Source: Legislative Finance Committee

“We’re talking about (budget) increase and not cuts,” Wirth said during Wednesday’s news conference. “That’s the result of decisions in past years to take ‘now’ money and make it available into the future.”

Small also noted New Mexico’s strong financial footing, while pointing out the state has ranked highly in recent national reports on job growth and family income growth.

But he also pointed out the state could face political headwinds in the coming years, saying, “We can’t really underestimate the challenges that are ahead.”

That includes reduced federal funding for Medicaid and food assistance under a federal budget bill signed by President Donald Trump in July. State health officials have warned the changes could lead to rural hospitals closing in New Mexico and at least 90,000 state residents losing their health care coverage.

The Trump administration also recently halted federal funding for cash assistance programs benefitting low-income families in five Democratic-led states, though New Mexico was not one of them.

Given that backdrop and the uncertainty about how global events might impact oil prices, several lawmakers cautioned the state’s fortunes could shift rapidly.

“We’ve had a great run,” Muñoz said. “We know the economy is slowing.”

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