

THE DISABILITY COALITION

Advocating for People with Disabilities of All Types

Legislative Preview – 2026 Session January 2, 2026

By Jim Jackson and Ellen Pinnes

Disability Rights Awareness Days. The Disability Coalition’s annual pre-legislative-session forum will be held on Saturday, January 10, at the CNM Workforce Training Center in Albuquerque. There’s still time to register, but don’t delay! The registration link is <https://givebutter.com/Y2leKt>. And mark your calendar for DRAD at the Roundhouse in Santa Fe on Wednesday, February 11. Everyone is welcome and no registration is required for DRAD activities on that day. Coming up sooner, January 22 is Autism Day at the Capitol.

It’s that time of year again. The 2026 annual legislative session begins at noon on Tuesday, January 20. It’s a 30-day session, so the agenda is limited to budget and tax measures, items authorized by the governor, and perhaps a few proposed constitutional amendments. (That doesn’t mean legislators won’t introduce a slew of bills on other topics. It just means those bills won’t go anywhere unless the sponsors can convince the governor to give permission to consider them.) This will be Governor Michelle Lujan Grisham’s last regular session – though based on recent experience there may be another special session or two before her term ends on the final day of 2026.

The main focus of the session will be the adoption of a state budget for the year beginning July 1, 2026, which is referred to as Fiscal Year 2027. This will establish the level of funding for all state agencies, and will include at least \$2 billion in additional short-term spending for various projects and activities. The governor has already released her recommendations for the budget, and the Legislative Finance Committee is expected to release its own recommendations very soon. The Legislature will compare these two proposals and decide on the final numbers by the end of the session.

In this preview we review the state’s budget situation, the recommendations for the FY27 state budget recently released by the governor, and some of the legislation we may see addressed during the session.

State Budget Outlook. The revenue outlook remains strong but not as robust as the last few years, based on economic factors and losses stemming from the federal budget reconciliation bill (HR 1) passed into law last summer. In the coming year, the state is expected to collect about \$13.9 billion in revenue. Since the current state budget calls for recurring expenses of only \$10.8 billion, there will be a surplus of almost \$3.1 billion available for the Legislature to spend or invest as it chooses. Until recently, legislative practice called for that entire amount to be available as “new money” that could be used for expansion of ongoing state expenditures as well



as other purposes. However, the newer practice is to treat only a portion of the new money as usable for recurring purposes, with much of it instead allocated to short-term projects and for deposit into reserve funds. Under that approach, there would be only about \$105 million for recurring spending to expand existing programs and services. We can expect that the budget to be adopted this year will increase recurring spending by more than that amount, but the probability of limited income growth in the years to come will reinforce a cautious approach toward any expansion of recurring expenses.

Part of this year's surplus is certain to be invested in some of the state's various reserve funds that have been created specifically to put aside money while New Mexico is experiencing very high revenues, to be available in leaner future years. Those funds, along with other long-standing reserve funds, now amount to about \$64 billion. By FY 2030 – just three years from now – interest from those funds is expected to be the second largest source of state income, behind only gross receipts (sales) tax revenue and more than corporate and personal income taxes combined. Some of the state's recently created reserve funds are intended to support specific state services, such as early childhood, behavioral health, and Medicaid.

The governor's proposed budget. Governor Lujan Grisham released her proposal for the state budget on December 22. She recommends total recurring expenses of \$11.329 billion, which would be \$503 million more than the current budget, amounting to a 4.6% increase and about \$400 million more than the official projection for “new money”. Her budget would provide 1% salary increases for state employees and public school personnel and a ½% increase for other public school support.

The governor's budget also calls for almost \$1.9 billion for short-term projects, such as \$100 million for a new home for the State Fair, \$45 million for statewide homelessness initiatives and \$65 million for affordable and “attainable” housing statewide. (Affordable housing is usually defined as housing that costs no more than 30% of income and is a concept used in connection with income-based programs and subsidies. Attainable housing is aimed at middle-income households that don't qualify for subsidies but can't afford market-priced homes.) She also requests \$133.7 million in supplemental funding for the current year (FY 26) to cover proposed rate increases for the Medicaid managed care organizations (MCOs), in recognition of the higher costs they are incurring to serve current enrollees.

State Agency Budget Recommendations for FY 2027

We review here the governor's budget recommendations for various state agencies that provide services directly benefiting persons with disabilities. The Legislative Finance Committee is expected to release its proposed budget very soon, and we'll review their recommendations in the first weekly legislative report, which should come out around Jan. 26.

Health Care Authority (HCA)

Medicaid/Medicaid Behavioral Health: HCA is predicting a large drop in Medicaid enrollment due to federal budget cuts and eligibility restrictions, which will significantly reduce the amount of state funding needed for this program. However, a proposed major increase in spending on behavioral health and other increased costs would offset part of that reduction and result in the governor's recommended budget decreasing state funding by only \$61 million (4.1%) compared to the current year. The request includes funding to make up for a reduction in

the federal matching rate and to increase agency staffing to process the more frequent eligibility recertifications required by last year's federal budget reconciliation bill, as well as a \$58 million increase for the rates paid to the Medicaid MCOs and \$9 million for rate increases for nursing homes.

Developmental Disabilities: The governor is asking for an increase of almost \$46 million (15%) in state funds, most of which would be matched with federal funds through the Medicaid waiver program. That includes \$24.8 million in state funds for increased enrollment and utilization of services. None of the increase is specifically earmarked for DD provider rate increases.

Behavioral Health Division: BHSD primarily serves individuals who are not eligible for Medicaid. The budget request is for an additional \$4.9 million (an 8.2% increase in state funds), but much of that is to offset a reduction in federal funding. Total funding for the division would rise by only \$2.9 million, a 2.8% increase.

Special appropriations: The governor's budget requests many "special" (one-time or short-term) expenditures in support of HCA programs, including:

- \$92.9 million for health care services for immigrants who are lawfully residing in the state but will lose Medicaid because of new federal restrictions adopted in the budget reconciliation bill,
- \$45 million to support clinical services provided by Certified Community Behavioral Health Centers,
- \$38.1 million for health care premium subsidies for those with incomes over 400% of the federal poverty level, to cover premium costs that exceed 8% of their total annual income,
- \$7 million to support Screening, Brief Intervention and Referral to Treatment (SBIRT),
- \$5 million to assist boarding homes to comply with licensing regulations,
- \$5 million for the Linkages supported housing program,
- \$2 million for evaluations of competency to stand trial in criminal cases and for the time needed for evaluators to provide court testimony on their findings, and
- \$1 million for nursing homes to support services to residents with complex needs.

Supplementals for FY 26: As noted above, the governor's budget includes an additional \$133.7 million for the current fiscal year to cover higher payments to Medicaid MCOs.

Public Education Department (PED) and public school support

The "State Equalization Guarantee" is the total funding that supports public education services statewide, including special education, through a complex formula. It's the largest single expenditure of state funds in the entire budget, and in the current year amounts to \$4.5 billion, with special education participation accounting for 19% of the total. The governor is proposing a very modest (0.65%) increase in funding for the SEG of \$29.1 million, for a total of \$4.53 billion.

There are a few items of interest in the list of special appropriations requested by the governor for the PED:

- \$20.3 million to recruit and retain educators,
- \$8.5 million for support and operation of a new statewide student information system, which includes a consistent format for Individualized Education Plans,
- \$4 million for several special education initiatives, and
- \$175,000 for training transportation staff statewide on positive behavior interventions and supports

Division of Vocational Rehabilitation

For the Rehabilitation Services Division, the governor recommends level state funding in the coming year but an increase of \$1.3 million (3.7%) in federal funding. For Independent Living, the governor proposes no increase in either state or federal funds.

Commission for the Blind

The governor's proposal is for an \$84,000 increase in state funds (2.7%). With a small increase in federal and other revenue, total funding would increase by \$402,000 (2%).

Note: By federal law, each state must provide a Client Assistance Programs (CAP), which assists clients and applicants of state agencies that provide federally-funded vocational rehabilitation services to address and resolve concerns and complaints about their eligibility or services. In New Mexico, those agencies are the Commission for the Blind and the Division of Vocational Rehabilitation, and the CAP program is operated by Disability Rights New Mexico. The Trump administration has floated the idea of transferring responsibility for funding CAP programs from the federal government to the states. The governor's budget includes \$131,900 to flow through the Commission for the Blind to fund the CAP if the cost-shift to the states is approved by the U.S. Congress.

Commission for Deaf and Hard of Hearing

The governor's proposal would increase state funding by \$87,000 (4.4%). With a reduction in other expected revenue, total funding for the agency would increase by 0.5%.

Governor's Commission on Disability

The governor's proposal includes a \$65,000 increase in state funding (4.1%), but with a decrease in other funds, total agency funding would increase by only \$26,000 (1.1%).

Developmental Disabilities Council

For the Office of Guardianship, the governor recommends a \$282,000 increase in state funds (3.3%), which would be the only increase in recurring funds for the Office's on-going operations. Recognizing the additional needs in the program, however, the governor is asking for supplemental funding in the current fiscal year of \$365,000, as well as \$745,800 as a special appropriation in the coming fiscal year to cover the cost of additional individuals to be served or already being served. *While that level of additional funding is needed and welcome, providing it as a special appropriation while providing only a relatively small increase in recurring funding will create a significant funding gap for the Office of Guardianship next year.*

For the DDC's other programs, including the Special Education Ombud and the Center for Self-Advocacy, the governor's proposal includes an increase in state funds of \$343,000 (22.3%). With a reduction in other revenue, total funding for these programs would increase by \$285,000 (12.8%). The governor also recommends special (one-time) appropriations of \$229,000 to continue a program to promote supported decision-making and \$250,000 to expand the services of the Special Education Ombud program.

Family-Infant-Toddler Program

The governor is asking for a \$3 million special appropriation to the Early Childhood Education and Care Department for additional training and support of the FIT workforce.

Legislation Expected in the 2026 Session

Substantive Issues and Special Appropriations

Legislators can “pre-file” bills before the session starts, a process that this year begins today (January 2) and ends on Jan. 16. This early filing allows those bills to be officially introduced at the beginning of the session, giving them a bit of a head start in scheduling committee hearings. Pre-filed House bills are assigned a bill number and listed in the Daily Bill Locator. Senate bills don’t get a number until they’re formally introduced during the session and aren’t in the Locator, but there will be a list of them on the legislative website – click on the link for the “Index of 2026 Senate Pre-files” on the homepage at <https://nmlegis.gov>. The text of all pre-filed bills can be found on the website by using the links in the Locator or the Senate Index document. Legislators can continue to introduce bills until the mid-point of the session, which this year is Wednesday, Feb. 4. Memorials can be filed at any time.

Here’s a quick look at what some of the bills that we expect to be introduced would do:

- Require HCA to increase its reimbursement rate for Personal Care Services. One possible proposal would raise the rate paid to PCS agencies to at least \$23.50 per hour, at a cost of \$20.8 million, and mandate that at least 70% of the rate paid to agencies to provide this service be passed through as compensation to the individual workers who provide the service, in the form of salary or benefits. Another approach would simply raise the provider reimbursement rate by 15%.
- Put the Office of Special Education into statute as a division in the PED organizational structure. The bill would spell out the duties and responsibilities of both the division and the department.
- Revise the definitions of seclusion and restraint in state law to clarify what is permissible and what is prohibited in public schools, and which incidents must be reported by schools to parents and to the PED.
- Establish a family/medical leave benefit for workers in New Mexico.
- Create a state Office of Accessibility to assist state agencies in making their operations accessible to persons with disabilities. This would include websites and internet-based applications, services, and physical locations.
- Amend the Attendance for Success Act so that absences from school for doctor visits, therapy, or other medical needs could not be interpreted to constitute “excessive absence” and could not be used as a reason to refer a child’s parents for investigation by CYFD or juvenile justice personnel.
- Amend the current criteria in state law for involuntary commitment to mental health services, in order to make it easier to force treatment on those who may be homeless or considered to be in need of services.
- Raise the age of consent for certain mental health services from age 14 to 18.
- Approve New Mexico’s participation in interstate agreements (known as “compacts”) so that licensed health care professionals such as physicians, therapists and social workers from other states could more readily practice in New Mexico and our professionals could practice in other states.