

LFC Requester: _____

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 2.11.25 *Check all that apply:*
Bill Number: S167-341 Original Correction
 Amendment Substitute

Sponsor: Sen. Padilla **Agency Name and Code** DFA-341
Short Title: EARLY CHILDHOOD TRUST FUND **Number:** _____
Person Writing DelgadoL.
Phone: _____ **Email** leonardo.delgado@dfa

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
	\$196,680	\$89,240	R	Early Childhood Education and Care Program Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

SB 167 proposes renaming the Early Childhood Education and Care Fund to the Early Childhood Trust Fund. Additionally, the bill is related to Senate Joint Resolution 6 (SJR6), a proposed constitutional amendment that would establish the Early Childhood Trust Fund as a permanent fund. SJR6 also restricts the use of distributions from the fund to prenatal programs and services. Furthermore, SB 167 includes a conditional effective date, contingent upon the approval of the constitutional amendment to formalize the trust fund's creation.

The bill also amends existing legislation that currently requires the trust fund to distribute to the program fund each year, on July 1, an amount equal to the greater of 5% of the fund's average year-end market value over the previous three years or \$250 million. SB 167 increases this distribution to the greater of 5% of the fund's average year-end market value over the previous three years or \$500 million.

- **Key Provisions:**
- **Renamed Fund:** The Early Childhood Education and Care Fund will be renamed to the Early Childhood Trust Fund.
- **Expanded Uses:** Funds can now be used for prenatal programs alongside early childhood education and care services.
- **Effective Date:** The bill's provisions will take effect only if a constitutional amendment creating the Early Childhood Trust Fund is approved.
- **Tax Revenue Management:**
- Any excess tax revenues collected will be allocated to the trust fund after ensuring state reserves are at required levels.
- Additional revenue sourced from federal mineral leasing will also contribute to this fund if it exceeds the annual average amount.
- **Distribution Mechanics:**
- The bill sets guidelines for the distribution of fund balances, ensuring necessary calculations are made by the Department of Finance and Administration.
- **Legislative Oversight:**
- The state investment officer will be responsible for managing and investing the trust fund in accordance with prudent investment rules.
- Regular reports on the fund's performance will be submitted to legislative committees.

FISCAL IMPLICATIONS

SB 167 increases the distribution to the Early Childhood Trust Fund (ECTF) to \$500 million in FY26. This is an increase of \$196.7 million, \$89.2 million, and \$3.6 million in FY26, FY27, and FY28 respectively. By FY29, the legislation’s formula takes effect, distributing an amount exceeding the \$500 million minimum.

This initial analysis compares the baseline estimate under current law, assuming a 5% rate of return based on CREG projections, with the proposed changes in HB 71, also using a 5% rate of return. Additionally, all estimates incorporate updated inputs from the December 2024 Consensus Revenue Forecast, including excess oil and gas revenue contributions to the fund and the updated 2024 year-end balance from the State Investment Council (SIC)

Early Childhood Trust Fund (Base)

	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29
Beginning Balance	\$ 300.0	\$ 306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,908.7	\$ 10,859.0	\$ 11,475.5	\$ 11,955.6
Gains & Losses	\$ 6.1	\$ 27.9	\$ (7.1)	\$ 336.3	\$ 549.7	\$ 450.8	\$ 495.4	\$ 543.0	\$ 573.8	\$ 597.8
Excess FML	\$ -	\$ -	\$ 1,501.7	\$ 2,073.0	\$ 1,179.8	\$ 745.4	\$ 483.1	\$ 287.6	\$ 251.4	\$ 319.9
Excess OGAS School Tax	\$ -	\$ -	\$ 1,682.8	\$ -	\$ 1,815.0	\$ -	\$ 382.6	\$ 282.3	\$ 192.3	\$ 218.2
Distribution to ECE Program Fund	\$ -	\$ (20.0)	\$ (30.0)	\$ (150.0)	\$ (250.0)	\$ (303.3)	\$ (410.8)	\$ (496.4)	\$ (537.4)	\$ (571.5)
Ending Balance (\$ in millions)	\$ 306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,908.7	\$ 10,859.0	\$ 11,475.5	\$ 11,955.6	\$ 12,520.0

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Distribution to ECE Program Fund	\$ -	\$ 20.0	\$ 30.0	\$ 150.0	\$ 250.0	\$ 303.3	\$ 410.8	\$ 496.4	\$ 537.4

Note: FML and OGAS distributions based on December 2024 Consensus Revenue Forecast

Note: Distribution to ECE Program Fund occurs in FY not CY

Note: 2023's HB191 increased minimum distribution from \$30 million to \$150 million in FY24

Note: 2024's SB153 increased minimum distribution from \$155 million to \$250 million in FY25

Early Childhood Trust Fund (Base with increased FY26 distribution)

	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29
Beginning Balance	\$ 300.0	\$ 306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,712.0	\$ 10,563.3	\$ 11,161.3	\$ 11,639.2
Gains & Losses	\$ 6.1	\$ 27.9	\$ (7.1)	\$ 336.3	\$ 549.7	\$ 450.8	\$ 485.6	\$ 528.2	\$ 558.1	\$ 582.0
Excess FML	\$ -	\$ -	\$ 1,501.7	\$ 2,073.0	\$ 1,179.8	\$ 745.4	\$ 483.1	\$ 287.6	\$ 251.4	\$ 319.9
Excess OGAS School Tax	\$ -	\$ -	\$ 1,682.8	\$ -	\$ 1,815.0	\$ -	\$ 382.6	\$ 282.3	\$ 192.3	\$ 218.2
Distribution to ECE Program Fund	\$ -	\$ (20.0)	\$ (30.0)	\$ (150.0)	\$ (250.0)	\$ (500.0)	\$ (500.0)	\$ (500.0)	\$ (523.9)	\$ (556.1)
Ending Balance (\$ in millions)	\$ 306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,712.0	\$ 10,563.3	\$ 11,161.3	\$ 11,639.2	\$ 12,203.2

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Distribution to ECE Program Fund	\$ -	\$ 20.0	\$ 30.0	\$ 150.0	\$ 250.0	\$ 500.0	\$ 500.0	\$ 500.0	\$ 523.9

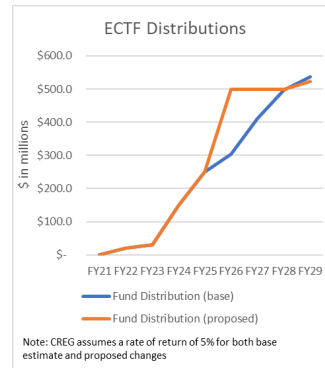
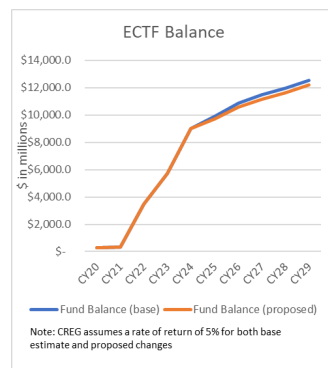
Note: FML and OGAS distributions based on December 2024 Consensus Revenue Forecast

Note: Distribution to ECE Program Fund occurs in FY not CY

Note: 2023's HB191 increased minimum distribution from \$30 million to \$150 million in FY24

Note: 2024's SB153 increased minimum distribution from \$155 million to \$250 million in FY25

The analysis projects baseline distributions will grow to \$537.4 million in FY29. If HB 71 is enacted, distributions will reach \$523.9 million by FY29. The smaller distribution in FY29 (a decrease of \$13.4 million) is attributed to lost earnings from the increased distributions. Fund balance and distribution trajectories are illustrated in the graphs below.



The second part of this analysis compares the baseline estimate, using CREG’s more conservative 5% rate of return assumption, with SB 167’s proposed changes, with the State Investment Council’s (SIC) rate of return assumption of 6.77%. Initially, SIC invested the ECECF conservatively, but in recent years, it has adopted a more aggressive allocation strategy, shifting the fund into "growth mode."

The baseline analysis projects distributions will grow to \$537.4 million in FY29, with CREG’s more conservative 5% rate of return assumption.

Early Childhood Trust Fund (Base)

	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29
Beginning Balance	\$ 300.0	\$ 306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,908.7	\$ 10,859.0	\$ 11,475.5	\$ 11,955.6
Gains & Losses	\$ 6.1	\$ 27.9	\$ (7.1)	\$ 336.3	\$ 549.7	\$ 450.8	\$ 495.4	\$ 543.0	\$ 573.8	\$ 597.8
Excess FML	\$ -	\$ -	\$ 1,501.7	\$ 2,073.0	\$ 1,179.8	\$ 745.4	\$ 483.1	\$ 287.6	\$ 251.4	\$ 319.9
Excess OGAS School Tax	\$ -	\$ -	\$ 1,682.8		\$ 1,815.0		\$ 382.6	\$ 282.3	\$ 192.3	\$ 218.2
Distribution to ECE Program Fund		\$ (20.0)	\$ (30.0)	\$ (150.0)	\$ (250.0)	\$ (303.3)	\$ (410.8)	\$ (496.4)	\$ (537.4)	\$ (571.5)
Ending Balance (\$ in millions)	\$ 306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,908.7	\$ 10,859.0	\$ 11,475.5	\$ 11,955.6	\$ 12,520.0

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Distribution to ECE Program Fund	\$ -	\$ 20.0	\$ 30.0	\$ 150.0	\$ 250.0	\$ 303.3	\$ 410.8	\$ 496.4	\$ 537.4

Note: FML and OGAS distributions based on December 2024 Consensus Revenue Forecast

Note: Distribution to ECE Program Fund occurs in FY not CY

Note: 2023's HB191 increased minimum distribution from \$30 million to \$150 million in FY24

Note: 2024's SB153 increased minimum distribution from \$155 million to \$250 million in FY25

If enacted, the analysis of SB 167’s increased distribution, based on SIC’s 6.67% rate of return, projects baseline distributions will grow to \$541.5 million in FY29 under the more aggressive rate of return.

Early Childhood Trust Fund (Increased FY26 distribution with a rate of return assumption of 6.77%)

	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29
Beginning Balance	\$ 300.0	\$ 306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,871.6	\$ 10,905.6	\$ 11,713.8	\$ 12,409.0
Gains & Losses	\$ 6.1	\$ 27.9	\$ (7.1)	\$ 336.3	\$ 549.7	\$ 610.4	\$ 668.3	\$ 738.3	\$ 793.0	\$ 840.1
Excess FML	\$ -	\$ -	\$ 1,501.7	\$ 2,073.0	\$ 1,179.8	\$ 745.4	\$ 483.1	\$ 287.6	\$ 251.4	\$ 319.9
Excess OGAS School Tax	\$ -	\$ -	\$ 1,682.8		\$ 1,815.0		\$ 382.6	\$ 282.3	\$ 192.3	\$ 218.2
Distribution to ECE Program Fund		\$ (20.0)	\$ (30.0)	\$ (150.0)	\$ (250.0)	\$ (500.0)	\$ (500.0)	\$ (500.0)	\$ (541.5)	\$ (583.8)
Ending Balance (\$ in millions)	\$ 306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,871.6	\$ 10,905.6	\$ 11,713.8	\$ 12,409.0	\$ 13,203.4

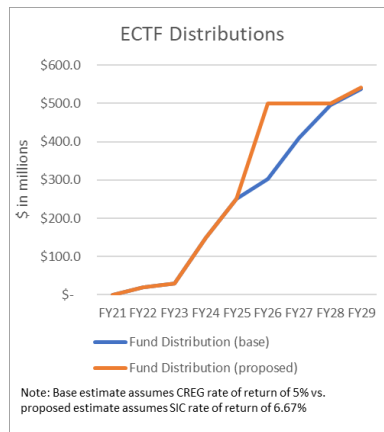
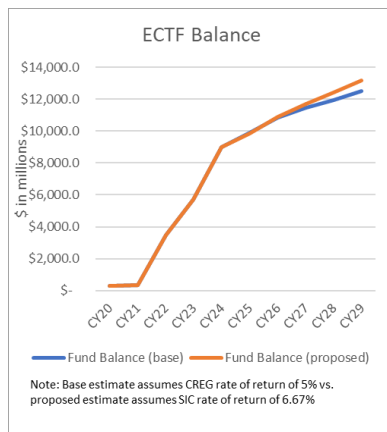
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Distribution to ECE Program Fund	\$ -	\$ 20.0	\$ 30.0	\$ 150.0	\$ 250.0	\$ 500.0	\$ 500.0	\$ 500.0	\$ 541.5

Note: FML and OGAS distributions based on August 2023 Consensus Revenue Forecast

Note: Distribution to ECE Program Fund occurs in FY not CY

Note: 2023's HB191 increased minimum distribution from \$30 million to \$150 million in FY24

The graphs below illustrate a comparison of fund balances and distributions under current law, using the more conservative rate of return, versus the proposed changes, which use the more aggressive rate of return. Neither the ECTF balance nor distributions decline.



A baseline estimate compared to the estimate with SB 167’s proposed changes, constructed using SIC’s rate of return assumption in both scenarios, would yield the same result as the first analysis in this FIR.

Lastly, ECECD states in its FIR: “SB 167 clearly specifies that expenditures from this fund must be used for early childhood programs, including prenatal programs and services, early childhood programs and services until children are eligible for kindergarten, and the administration of those programs. This ensures that these funds will not be diverted for other purposes.” For further details on ECECD's analysis, please refer to the ECECD FIR.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SJR6 is a companion to SB167.

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS