

LFC Requester:

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**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](https://www.legis.nm.gov/AgencyAnalysis) and email to [billanalysis@dfa.nm.gov](mailto: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:** 2/2/2026 *Check all that apply:*  
**Bill Number:** HB 265 Original  Correction   
 Amendment  Substitute

**Sponsor:** Randall Pettigrew **Agency Name and Code Number:** ECECD 61100  
**Short Title:** Taxpayer Dividend **Person Writing Analysis:** Elizabeth Groginsky  
Income Tax Rebate 505-231- Elizabeth.groginsky@ec  
Fund **Phone:** 2997 **Email:** ecd.nm.gov

**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected

<b>Total</b>						
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(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**

Synopsis:

HB 265 proposes the creation of a Taxpayer Dividend Income Tax Rebate Fund to provide income tax rebates for New Mexico residents. The bill authorizes annual rebates to income taxpayers who file New Mexico tax returns and are not a dependent of another individual, with the rebate amount calculated by dividing the total fund balance by the number of eligible filers; rebates could be applied against tax liability or refunded if they exceed the tax owed.

To fund the program, the bill amends existing revenue distribution statutes to redirect a portion of federal mineral leasing funds - funds that under current law would have been deposited into the Early Childhood Education and Care Fund - into the new loan fund. By removing the Early Childhood Education and Care Fund from the list of recipients of excess extraction and leasing revenues, the bill redirects future automatic deposits from the Early Childhood Education and Care Fund to the Taxpayer Dividend Income Tax Rebate Fund.

HB 265 includes reporting requirements to legislative committees on the cost and impact of the income tax rebate program. The new rebate provisions would apply to tax years beginning on or after January 1, 2026.

**FISCAL IMPLICATIONS**

While HB265 does not amend the Early Childhood Trust Fund distribution rate, it diverts future automatic deposits away from early childhood and toward the Taxpayer Dividend Income Tax Rebate Fund, which would weaken the long-term sustainability framework intended to support early childhood services across New Mexico. The consequence is not merely an accounting change: it reduces the state’s ability to maintain care and education of young children as a stable, predictable program over time and increases the likelihood of future funding shortfalls or greater reliance on the general fund.

In addition, the December 2025 Consensus Revenue Forecast estimated that excess federal mineral leasing funds will begin to decline over the next fiscal years as oil and gas speculation cools. These distributions are already tapped to fund the Medicaid and Behavioral Health Trust Fund as well as the Early Childhood Trust Fund through FY28—critical investments for New Mexico. Preservation of these transfers ensures that mineral leasing and oil and gas revenue is directed to strengthening the capacity of key public service programs and making long-term investments in young children: up to a 13% annual return across a child’s lifetime.

**SIGNIFICANT ISSUES**

New Mexico created the Early Childhood Trust Fund in 2020 to provide a long-term, sustainable

revenue source for early childhood education and care programs. In the 2025 session, the legislature voted to increase the minimum distribution of the trust fund to \$500 million per year or 5% of the fund's three-year average balance so that the state could sustain and expand early childhood programs. This legislation passed because the legislature recognized that investments in early childhood education and care yield substantial long-term benefits for families and society - [a 13% annual return](#) on investment through improved outcomes in education, health and economic productivity.

Redirecting all future automatic deposits from the Early Childhood Education and Care Fund would have devastating impacts on the growth of this fund, weakening the fund's ability to support early childhood programs over the long term. Without continued deposits, the corpus of the fund would stagnate or decline, weakening its capacity to provide sustainable distributions over time. As the balance erodes, then distributions to the Early Childhood Education and Care Department may decrease, impacting the department's ability to fund high-quality early childhood programming across the state.

Sustained and predictable funding is necessary to support a robust early childhood system. A child's earliest years are a critical time for brain development, and research has shown that children's [earliest interactions](#) with warm, supportive caregivers are key to supporting their cognitive and social-emotional development. [Home visiting programs](#), which are funded in part by the Early Childhood Trust Fund, play a vital role in supporting the parent child relationship and promoting positive parent-child interactions through home visitors who offer guidance and resources to families.

Research shows that participation in high-quality early childhood programs leads to better [long-term outcomes](#), including better educational outcomes, healthier dietary habits, and higher incomes. These outcomes are built on the work of [early childhood educators](#): the quality interactions from supportive educator-child relationships and high-quality educator preparation, development, and curriculum are infrastructure supports that require long-term, sustainable investments and funding. National research has shown that the benefits of participation in high-quality programs are [especially pronounced for vulnerable populations](#), including children from low-income families, dual-language learners, and children with disabilities in inclusive classrooms—research that has been echoed in New Mexico, where a 2025 Legislative Finance Committee Progress Report found that high-quality PreK programs have “...[long-lasting positive impacts on students, especially English learners and those from low-income families.](#)”

In addition, policies that strengthen household financial security, like access to safe, affordable, quality child care, [reduces parental stress and maternal depression](#)--common risk factors for child abuse and neglect, and other risk behaviors associated with adverse childhood experiences. Continued investment in early childhood programs is critical to sustaining these gains and better long-term outcomes for New Mexico's children and families.

## **PERFORMANCE IMPLICATIONS**

## **ADMINISTRATIVE IMPLICATIONS**

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB265 conflicts with HB176, which proposes to create a Zero Interest Down Payment Loan Fund and redirect excess severance tax and federal mineral leasing net receipts.

## **TECHNICAL ISSUES**

## **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If HB265 is not enacted, then monies received by the state pursuant to the Mineral Leasing Act will continue to be distributed to the Early Childhood Education and Care Fund, the Behavioral Health Trust Fund, and the Medicaid Trust Fund

## **AMENDMENTS**