

LFC Requester:

Kelly Klundt

AGENCY BILL ANALYSIS - 2026 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: 2/3/2026 *Check all that apply:*
Bill Number: HB269 Original X Correction
 Amendment Substitute

Sponsor: Rep. Serrato & Rep. J. Martinez **Agency Name and Code Number:** ECECD 61100
Short Title: Childcare Program Use of Funds **Person Writing Analysis:** Elizabeth Groginsky
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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
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

Synopsis:

HB 269 proposes adding a new section to the Early Childhood Care Accountability Act that would impose new restrictions on how state funds paid to licensed child care and early childhood care programs may be used. Under the new bill proposal, money received through contracts with the Early Childhood Education and Care Department could not be spent on certain corporate or investor-oriented costs, including monitoring, franchise, or management fees to a parent company; executive compensation or bonuses to investment firms; or operations outside New Mexico. Licensed child care and early childhood programs would also be prohibited from distributing dividends or capital to investors or owners, or from selling property and leasing it back for profit. HB 269 would require the Early Childhood Education and Care Department to report annually to the Legislative Health and Human Services Committee – by December 1, 2026 and every December 1 thereafter – on detailed financial and business-structure information for contracted child care providers, including ownership, debt levels, acquisitions or closures, fees or dividends paid to investors, and real estate arrangements.

FISCAL IMPLICATIONS

ECECD would likely require additional funding or resources to gather the necessary data to ensure that the requirements of this bill are being met by child care providers with child care assistance contracts. Currently, ECECD does not collect specific information about the corporate structures of child care providers other than what is contained in the Department of Finance Administration W-9 form.

SIGNIFICANT ISSUES

New Mexico operates a mixed delivery system of child care in which families access services through a variety of provider types, including independently owned centers, large national chains, regional multi-site operators, nonprofit organizations, tribal programs, faith-based providers, and family child care homes. This approach promotes parental choice and flexibility recognizing that families have diverse needs, schedules, and cultural preferences. Large, nationwide corporations are part of the mixed delivery system that helps to meet this need and the passage of HB269 would likely discourage these corporations from investing in child care centers in New Mexico.

Currently, there are 260 private for profit child care providers in New Mexico, several of which

are likely to fall within the restrictions set forth in HB269. ECECD believes that some of these larger or investor-backed child care providers in New Mexico often rely on centralized management services, franchise systems, or corporate financing mechanisms that could be limited under the bill. La Petite, Inc., for example, is a Michigan based corporation that operates 17 medium to large capacity licensed child care centers in New Mexico. While ECECD is unaware of how corporations like La Petite operate with respect to shareholder dividends, debt-to-earning ratios, and franchising fees, HB269 would likely change how such corporations could license and manage child care centers in New Mexico. HB269 could impact the state's ability to meet the child care needs of families and ensure that there is a sufficient amount of child care slots in all rural and urban areas of the state.

In addition, passage of this bill will require ECECD to obtain information regarding the business structures of child care providers. Currently, the only data collected from child care providers related to business structures is the information that is collected via the W-9 form. This information does not include specifics on dividends, debt-to-earnings ratios, real estate sales by corporation, etc. as required by HB269. To collect this information, ECECD would also need to amend its regulations to require child care providers to give this information to the department prior to entering into child care assistance contracts with families.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

ECECD would be required to amend its regulations and develop additional policies and procedures to meet the annual reporting requirements contained in this bill. ECECD would be required to collect, review, and analyze detailed financial and business-structure information from contracted providers annually. This may necessitate additional staff, training, or data-management systems to ensure compliance and accurate reporting. Coordination with the Department of Finance Authority and U.S. Internal Revenue Service (IRS) to reconcile data would also be essential.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

HB269 does not define what "operations outside of New Mexico" means, leaving this up to interpretation. On its face, it would appear that this restriction would prohibit a New Mexico child care company, with several large centers only in New Mexico, from hiring or contracting with a company outside of New Mexico to manage its payroll services, obtain consulting services, or pay for virtual staff trainings on protecting the health, safety, and welfare of children in care.

Section (B) appears to contradict the restrictions set forth in Section (C). Section (B) of the bill limits how providers can use "[m]oney provided pursuant to a contract between the department and a licensed child care program or a licensed early childhood care program," while Section (C) places restrictions on a "licensed child care program or licensed early childhood care program contracted with the department." This difference means that certain restrictions apply to the money provided via child care assistance contracts and other restrictions apply to all funds an entity may earn if it has a single child care assistance contract with ECECD, even if the majority

of its earnings are not from child care assistance contracts.

Additionally, the term “ultimate parent company” is not defined and the use of this term and the prohibition on providing any compensation to the ultimate parent company could mean that all owners of child care providers, even locally owned New Mexico child care business owners would be prohibited from receiving any compensation.

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo

AMENDMENTS