

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.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: 2/4/2026 *Check all that apply:*
Bill Number: HB 304 Original Correction
 Amendment Substitute

Sponsor: Mark Duncan **Agency Name and Code Number:** ECECD 61100
Short Title: Payments for Child Care or Pre-K **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 304 proposes to provide direct monthly payments to parents or legal guardians of certain children who are not enrolled in state-funded child care or pre-kindergarten programs. HB 304 requires the Early Childhood Education and Care Department (ECECD) to pay qualifying parents \$2,500 per infant, \$1,975 per toddler, and \$1,375 per preschool-age child each month. To receive these payments, parents must submit an application with documentation of the child's birth date or guardianship, of the parent's relationship to the child, proof of the parent's New Mexico residency, evidence that the child is not enrolled in a state-funded child care or pre-K program, indication of an where payment may be received by the parent(s). ECECD is required to make a determination on applications within 60 days and issue payments promptly if approved, with notifications provided for any denials. The bill includes provisions to prevent fraudulent claims and allows shared payments between parents or full payment to a sole-custody parent.

FISCAL IMPLICATIONS

New Mexico census data from 2024 estimates that a total of 106,512 children under the age of 5 reside in New Mexico. Currently 26,105 children ages birth-5 are enrolled in state-funded child care programs and receive child care assistance, An additional 20,163 children ages 3-5 are enrolled in state funded NM PreK programs, Thus, approximately 60,244 children ages birth-5 are not currently enrolled in state funded child care or NM PreK who could potentially qualify for assistance as outlined in HB 304, resulting in an additional monthly cost of up to \$117M.

Additionally, the Early Childhood Education and Care Department (ECECD) estimates that thirty (30) additional Full Time Employees (FTEs) will be required to process certifications of eligibility. ECECD estimates that the cost of each FTE will be approximately \$83,680 each, per year, including benefits, for a total of \$2.5M, without which ECECD cannot absorb the additional work required.

Despite the great financial burden that will be incurred if HB 304 is passed, HB 304 contains no appropriation to ECECD to administer this program.

SIGNIFICANT ISSUES

HB 304 would favor households where one or both parents do not work, while excluding families that depend on child care and NM PreK programs to participate in the workforce.

PERFORMANCE IMPLICATIONS

A decline in participation in early childhood programs could negatively influence statewide early learning outcomes, school readiness, and long-term child development measures.

According to National Institute for Early Education Research (NIEER), high-quality pre-K programs are strongly associated with better kindergarten readiness, and research consistently shows that children who do not participate in structured early-learning settings are more likely to begin school with lower early literacy, math, and social-emotional skills. Studies of public pre-K systems—including large-scale evaluations of state programs and universal pre-K expansions—find that participation improves kindergarten readiness, reduces early grade retention, and increases early academic performance, with the largest benefits for children from disadvantaged backgrounds. While some children in enriched home environments do well, the evidence indicates that on average, opting out of formal early-childhood programs increases the likelihood of entering school less prepared.

ADMINISTRATIVE IMPLICATIONS

HB 304 directs the Early Childhood Education and Care Department to establish an application process for parents whose children are not enrolled in a state-funded child care or pre-kindergarten program. If passed, HB 304 would require that ECECD verify non-enrollment, determine eligibility within 60 days of receiving an application, and administer all related payments. Implementing these requirements would necessitate additional staffing and upgrades to existing technology systems.

HB 304 also carries broader administrative implications. ECECD would need ongoing compliance and monitoring systems to ensure continued eligibility, as well as new data-sharing agreements with public schools, charter schools, tribal programs, and other early childhood providers. Additional workload would arise from establishing an appeals and dispute-resolution process, expanding customer service capacity, and developing public-facing guidance and multilingual outreach materials. Financial management functions would need to be strengthened to support payment processing, internal controls, and audit requirements. Implementation may also require rulemaking, policy development, and comprehensive staff training to support new procedures and technology.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 304 is similar to HB 106, which proposes to create an income tax credit under the Income Tax Act for taxpayers who do not enroll their dependent children in a state-funded or private child care facility or a state-funded or private prekindergarten program.

TECHNICAL ISSUES

HB 304 does not specify how often parents are required to apply for monthly payments. If monthly payments are to be applied for on a monthly basis, the certification requirement is burdensome and may be difficult to administer consistently, especially since agencies must verify that a child is not enrolled in any public or private programs, that requires reliable agency-wide data sharing.

Furthermore, as part of the application for payment, parents are required to provide documentation that shows that the child is not enrolled in a state-funded child care or pre-kindergarten program. No such document proving lack of enrollment exists.

OTHER SUBSTANTIVE ISSUES

Implementation of HB 304 may shift family behavior in ways that conflict with New Mexico's long-term early-childhood goals, particularly if it draws children away from high-quality pre-K programs that are proven to improve school readiness. The bill does not address how the state will evaluate outcomes or measure whether the credit improves family stability, child development, or

workforce participation.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB 304 is not enacted, New Mexico's early-childhood funding will remain focused on child care and pre-K programs rather than direct payments to parents. Existing school-readiness patterns would also remain unchanged.

AMENDMENTS