

LFC Requester:

Kelly Klundt

**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**

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**SECTION I: GENERAL INFORMATION**

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

**Date Prepared:** 2/11/2026 *Check all that apply:*  
**Bill Number:** SB241/CS Original  Correction   
 Amendment  Substitute

**Sponsor:** George Munoz and Doreen Gallegos **Agency Name and Code Number:** ECECD 61100  
**Short Title:** Child Care Assistance Program Act – Committee Substitute **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)**

	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(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**

Senate Finance Committee Substitute for Senate Bill 241 (SB 241) enacts the Child Care Assistance Program Act, which codifies the Early Childhood Education and Care Department’s (ECECD) Child Care Assistance Program. Section 1 allows the legislature to appropriate up to one billion dollars (\$1,000,000,000) in total from the Early Childhood Education and Care Fund to the Early Childhood Education and Care Program Fund in fiscal years 2026 through 2031, as long as the total appropriation does not decrease the total balance of the Early Childhood Education and Care Fund below ten billion dollars (\$10,000,000,000).

Sections 2 and 3 of SFC Substitute for SB 241 provide the short title of the act and definitions. Section 4 establishes the application process and program eligibility requirements for both a child and the parent or legal guardian of the child. These include requirements for residency, age, and that the parent or legal guardian must be employed, a student, in job training, in an apprenticeship program, a grandparent raising a grandchild, a foster parent, or meet another condition, such as receiving certain federal aid or experiencing homelessness. SFC Substitute for SB 241 also ensures that a child who is enrolled in a head start or prekindergarten program isn’t being funded through both that program and child care assistance during the same hours of care.

Section 5 of SFC Substitute for SB 241 sets forth when ECECD may require a copayment for child care services or may implement a waitlist for child care assistance services or both, if needed. This section provides that the department shall implement a sliding scale monthly copayment system, which would be set by rule and subject to the provisions of Subsection D, or implement a waitlist or both upon one of the five triggering conditions of Subsection C of this section being met. If the department implements a waitlist, the department would be required to prioritize children with developmental delays or disabilities, at-risk children, and children from birth to age three in households with annual household incomes of less than four hundred percent of the federal poverty level. Section 5 also establishes requirements for the provision of child care assistance and that federal child care assistance funds be expended prior to state funds.

Section 6 of SFC Substitute for SB 241 establishes the payment rate framework for Child Care Assistance Program services. Payment rates for the Child Care Assistance Program are subject to the availability of funds, shall be set by ECECD regulation, and shall be updated as required by federal law. Payment rates must be based on a cost estimation model, be tiered according to quality, ensure adequate wages for child care facility staff, include thresholds for facility type, care duration, and age of children, include a differential rate for care provided during nontraditional

hours, and incorporate feedback from relevant stakeholders.

Section 7 establishes requirements for participating child care facilities, including limitations on child care assistance for children enrolled in head start, early head start, pre-kindergarten or early prekindergarten. Child care facilities shall not accept or require payment in any form from a participating child's family for admission or enrollment of the child beyond the rate paid by ECECD. Section 7 requires that at-risk children be referred to appropriate programs of the department, such as the Home Visiting and Family, Infant, Toddler programs, and, when applicable, to an appropriate tribal department for services. The Substitute also mandates that child care facilities cannot unreasonably exclude early intervention providers from accessing the children care setting to provide early intervention services.

SFC Substitute for SB 241 further establishes requirements related to identifying and referring at-risk children to appropriate ECECD programs, professional development for facility staff, and reporting mechanisms. ECECD must create a reporting mechanism for the reporting of suspected child abuse or neglect in a child care facility or by early intervention providers. Child care facilities participating in the child care assistance program are also required to submit an annual report to ECECD detailing the facility's business information, including the legal structure of the business, any owner or ownership entity of the business, major investors, investments in the business comprising a ten percent equity stake or greater, certain debts or liens against the business, and documentation of changes in ownership of the business.

Section 8 provides ECECD's duties, namely that ECECD shall develop the Child Care Assistance Program to enhance child care quality and improve the development of participating children. ECECD is required to administer the program while promoting parental choice in child care, allowing parents to choose the care that best suits the child's family through a mixed delivery system that includes public, private, nonprofit, for-profit, and faith-based child care facilities. Section 8 also clarifies that registered providers are not eligible for capital improvement costs, repair costs, or maintenance costs funded by the state or through the Child Care Assistance Program and requires ECECD to provide registered providers with a pathway to licensure.

SFC Substitute for SB 241 requires that ECECD implement internal controls, procedures, and reporting mechanisms to ensure the integrity and accountability of the Child Care Assistance Program. This includes at least two unannounced visits and compliance reviews per year for each child care facility. The department shall report any suspected misuse of funds to law enforcement and the local district attorney or attorney general. Lastly, Section 8 requires data sharing between agencies and requires that ECECD provide a report to certain legislative committees.

## **FISCAL IMPLICATIONS**

The SFC substitute for SB 241 allows the legislature to appropriate up to one billion dollars (\$1,000,000,000) from the Early Childhood Education and Care Fund to the Early Childhood Education and Care Program Fund in fiscal years 2026 through 2031, as long as the total appropriation does not decrease the balance of the Early Childhood Education and Care Fund below ten billion dollars (\$10,000,000,000).

## **SIGNIFICANT ISSUES**

The New Mexico legislature created the Early Childhood Education and Care Fund (trust fund) in 2020 to provide a long-term, sustainable revenue source for early childhood education and care programs. The Trust Fund was created 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.

Revenue from a period of especially productive growth in the oil and gas sector helped this Fund grow from its initial appropriation to over \$10 billion. SFC substitute for SB 241 will allow the legislature to draw on these investments to sustainably fund universal child care through 2031—safeguarding the program and the families who rely on it from volatility in state general funds due to economic recession or changing political environments. [Dedicated funding streams](#) for early childhood services help both families and providers plan for the future: families can feel comfortable making long-term financial decisions with the understanding that these investments are here to stay, and child care providers can confidently plan investments in quality improvement, facilities, and staff knowing that there is dedicated year-to-year funding behind them.

### **SIGNIFICANT ISSUES**

New Mexico is one of the only states to not have its Child Care Assistance Program enacted in statute. Currently, the Child Care Assistance Program is administered through administrative rule only. SFC Substitute for SB 241 aligns existing requirements for the Child Care Assistance Program and provides statutory protection.

The Child Care Assistance Program Act, established through SFC Substitute for SB 241, enhances child care quality and improves the development of participating children. SFC Substitute for SB 241 will promote parental choice, allowing parents to choose the care that best suits their children's needs through a mixed delivery system that includes public, private, nonprofit, for-profit, and faith-based child care facilities. In administering the Child Care Assistance Program, the department will support environments that contribute to long-term educational, health, and economic outcomes for children.

SFC Substitute for SB 241 ensures the integrity and accountability of the program and protects state funds by implementing guardrails, such as internal controls, unannounced visits, compliance reviews, and reporting mechanisms. This includes reporting of suspected abuse or neglect of children, data on program participation, professional qualifications, salaries and benefits of child care facility staff, and information about facilities' ownership, business structures, investors, debts and changes in ownership. This information will help ECECD protect participating children, oversee providers, identify potential financial risks, and increase accountability for providers that receive public funding.

SFC Substitute for SB 241 elevates New Mexico's children by supporting their development and care, while also providing opportunities for parents to earn post-secondary education degrees or work, thereby increasing the income of New Mexico families, growing the workforce, and decreasing poverty. Furthermore, by dedicating funding streams for early childhood services, SFC Substitute for SB 241 helps both families and providers plan for the future and make long-term financial decisions and investments. This allows the child care sector to grow in a stable environment and incentivizes other industries to launch businesses or move to New Mexico. This will help New Mexico attract professionals in the education, health, and public safety sectors,

which in turn, grows the tax base and strengthens local economies.

#### **PERFORMANCE IMPLICATIONS**

ECECD already implements the Child Care Assistance Program. This bill does not impose significant additional performance or administrative implications.

#### **ADMINISTRATIVE IMPLICATIONS**

If enacted, SB 241 will not require any additional administrative effort other than what ECECD currently expends to administer the child care assistance program.

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

SB 241 is related to the following ECECD bills that aim to increase child care supply:

- SB 170
- SB 96

#### **TECHNICAL ISSUES**

#### **OTHER SUBSTANTIVE ISSUES**

#### **ALTERNATIVES**

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

New Mexico's Child Care assistance program will continue to be administered through rule and will not have the statutory protections and guardrails outlined in this bill.

#### **AMENDMENTS**