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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 241

SHORT TITLE: Child Care Assistance Program Act

SPONSOR: Sens. Munoz, Padilla. Gonzales, and Trujillo/Rep. Gallegos

LAST UPDATE: ______ **ORIGINAL DATE:** 2/3/26 **ANALYST:** Klundt

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	Choose an item.	$160,000.0	$107,000.0	$267,0000.0	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 2

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
Early Childhood Education and Care Department (ECECD)

SUMMARY

Synopsis of Senate Bill 241

Senate Bill 241 (SB 241) creates the Child Care Assistance Program Act which codifies the Childcare Assistance Program administered by the Early Childhood Education and Care Department (ECECD) in statute.

SB 241 establishes program eligibility and application requirements for children and parents or legal guardians, including residency and activity requirements such as employment, education, training, or other qualifying circumstances, and sets limitations on eligibility for certain hours of care when children are enrolled in Head Start, Early Head Start, prekindergarten, or early pre-kindergarten. The bill authorizes ECECD to require copayments or implement waitlists when specified economic or enrollment triggers are met, limits copayments to families with incomes above 600 percent of the federal poverty level (FPL), and prioritizes infants, toddlers, children with disabilities or developmental delays and other at-risk children when waitlists are used, with federal funds required to be expended prior to state funds.

SB 241 establishes a framework for payment rates for participating childcare providers, requiring rates to be set by rule, based on a cost estimation model, tiered by quality, supportive of adequate workforce compensation, and inclusive of different facility types, care durations, child age groups, and nontraditional hours, with stakeholder input.

The bill also sets participation and oversight requirements for childcare facilities, including prohibitions on charging families beyond the state-paid rate, requirements to refer and support at-risk children and early intervention services, professional development and reporting requirements, and restrictions on duplicative billing for hours covered by other publicly funded early childhood programs. ECECD is directed to implement internal controls, conduct unannounced compliance visits, investigate and refer suspected misuse of funds, facilitate interagency data sharing, and report annually to the Legislature on program costs, participation, and outcomes.

FISCAL IMPLICATIONS

HAFC substitute for House Bill 2 and 3 contains a mixture of increased revenue sources, expansion of early prekindergarten, and slight cost containment which together fund $100 million of the $160 million requested increase for FY27. This bill does not contain an appropriation.

In fall 2025, the department announced it would be providing universal free childcare, which began in November 2025. This announcement created additional demand for childcare assistance requiring the Legislature to invest significant revenues in the upcoming fiscal years to fund the policy change. The current operating budget for FY26, including administrative and other quality supports, for the childcare assistance program is an estimated $445 million. ECECD has estimated the additional required funding to implement this policy change will be $160 million in FY27, $107 million in FY28, and $14 million in FY29 for a total of $610 million, or a 37 percent increase.

The possible implementation of copayments for families above 600 percent federal poverty level (FPL) is estimated to reduce the increased appropriation needed to implement expanded eligibility up to $12 million. However, copayments or waiting lists will not be implemented unless certain economic conditions required in the bill are met.

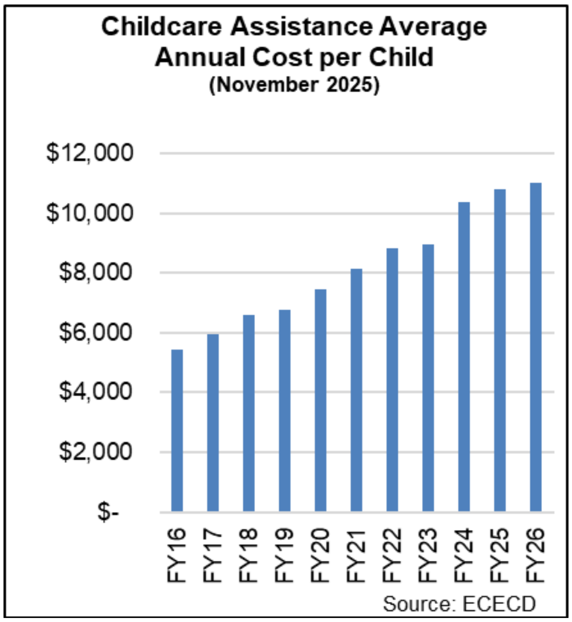
Copayments or waiting lists may be implemented if economic conditions occur, including enrollment exceeding projections, inflation, revenue growth trends, changes in the consumer price index or oil prices, or another condition identified by ECECD.

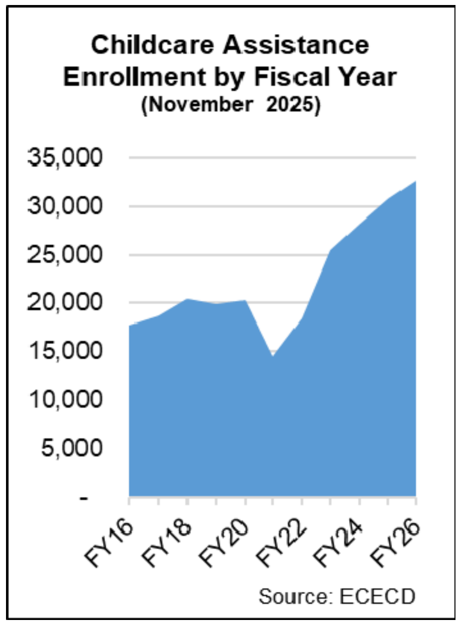
The bill does not state that expanded enrollment is subject to legislative appropriations. As a result, if appropriations are insufficient to cover increased participation and the economic conditions that trigger copayments or waitlists are not met, the department may face conflicting statutory direction: maintaining open eligibility without sufficient funding or clear authority to limit enrollment.

SIGNIFICANT ISSUES

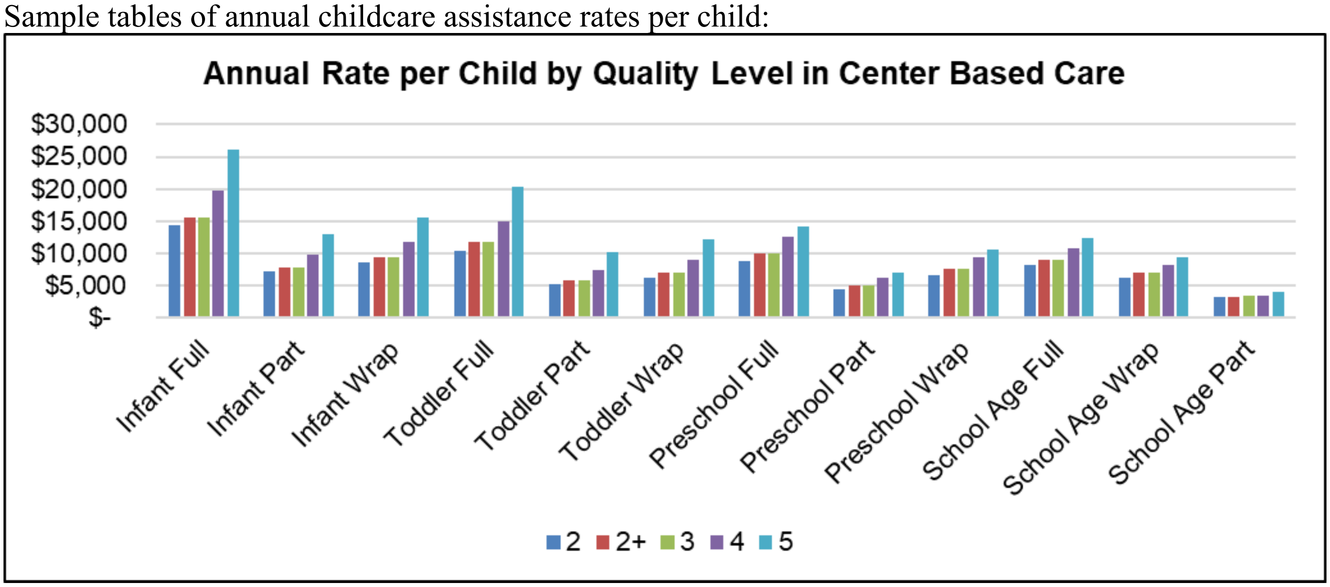
Previous LFC evaluations have shown childcare assistance improves some economic and health outcomes for children and families. Created as an economic support program for families in 1990 when Congress enacted the childcare and development block grant, the program helps families participate in the workforce while reducing the cost for childcare.

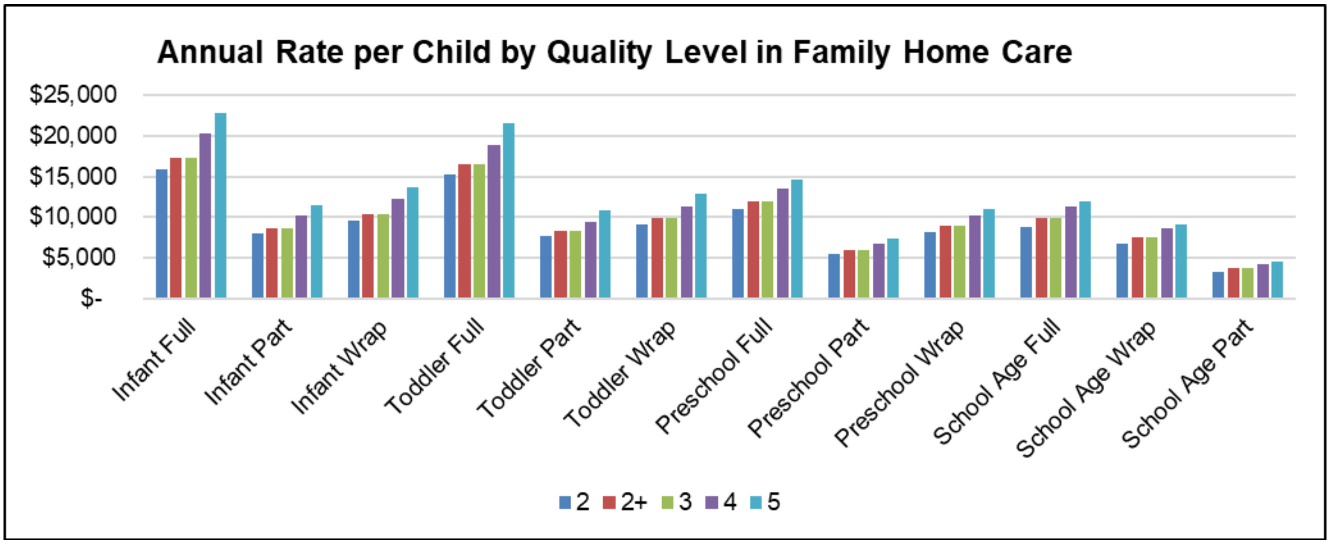
Historically childcare assistance provided an opportunity for low-income families to work or go to school by paying a voucher to childcare providers. However, because the department removed income eligibility requirements in fall 2025, the program now supports higher income families as well. In FY25, New Mexico was funded to serve over 32 thousand children and ECECD estimated to program will grow to serve 58 thousand by FY29. New Mexico continues to have higher maximum reimbursement rates than the majority of states. A 2019 LFC evaluation found New Mexico was paying more for care than the federally recommended 75 percent of the market rate and had rates higher than 80 percent of states. At the close of FY25, the average annual cost per child rose to $10,813, or 4 percent above the previous fiscal year. As of November 2025, the average annual cost per child rose to $10,922. This cost is expected to continue to rise with ECECD's recently approved new rate schedule.





Sample tables of annual childcare assistance rates per child:





Source: ECECD

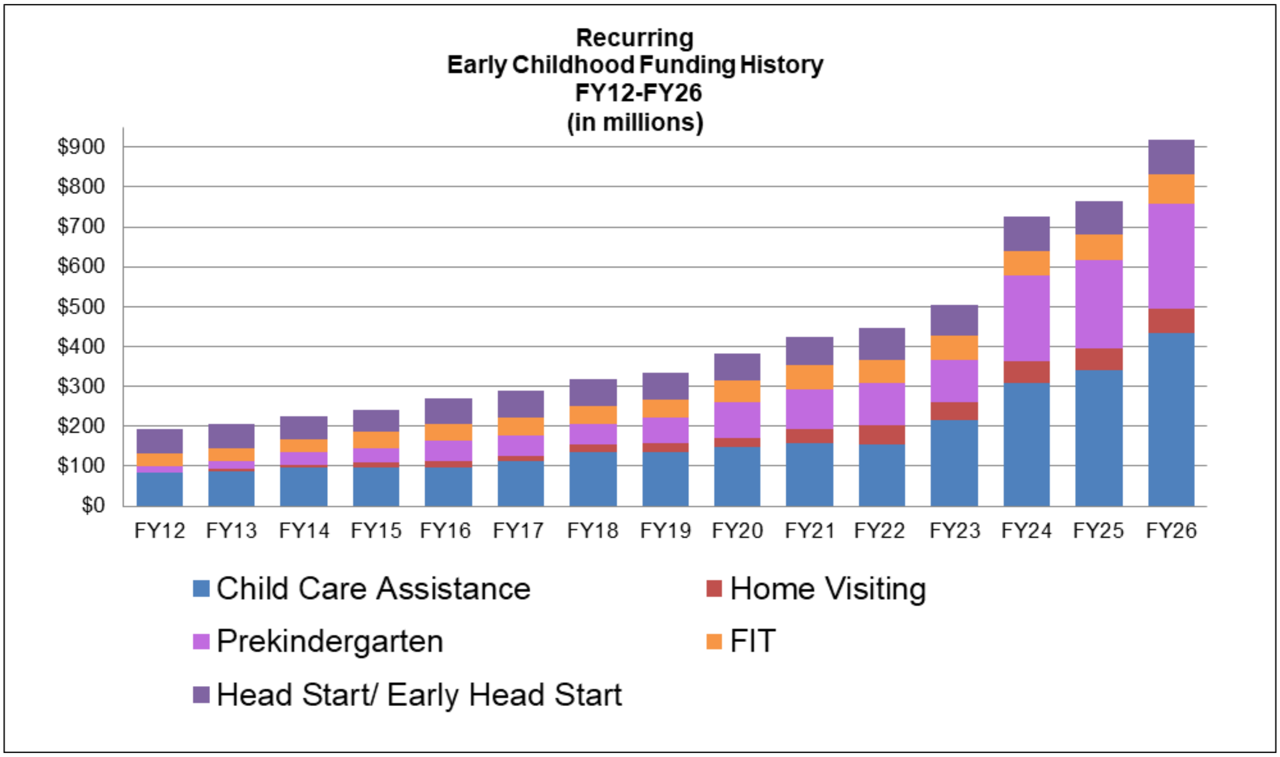
The 2025 fall expansion announced by ECECD allowed families above 400 percent FPL to receive free childcare assistance. Sample table of incomes for expansion families now eligible highlighted in yellow:

2026 Federal Poverty Levels									
Household Size	100%	200%	300%	400%	500%	600%	700%	800%	900%
1	$ 15,960	$ 31,920	$ 47,880	$ 63,840	$ 79,800	$ 95,760	$ 111,720	$ 127,680	$ 143,640
2	$ 21,640	$ 43,280	$ 64,920	$ 86,560	$ 108,200	$ 129,840	$ 151,480	$ 173,120	$ 194,760
3	$ 27,320	$ 54,640	$ 81,960	$ 109,280	$ 136,600	$ 163,920	$ 191,240	$ 218,560	$ 245,880
4	$ 33,000	$ 66,000	$ 99,000	$ 132,000	$ 165,000	$ 198,000	$ 231,000	$ 264,000	$ 297,000
5	$ 38,680	$ 77,360	$ 116,040	$ 154,720	$ 193,400	$ 232,080	$ 270,760	$ 309,440	$ 348,120
6	$ 44,360	$ 88,720	$ 133,080	$ 177,440	$ 221,800	$ 266,160	$ 310,520	$ 354,880	$ 399,240

Source: U.S. HHS

According to ECECD, since eligibility expansion was announced 62.5 percent of new families enrolled were above 400 percent FPL.

ECECD response states the bill codifies requirements that are currently set in rule and provides statutory protections and guardrails for program administration. The department believes this bill strengthens accountability through internal controls, unannounced visits, compliance reviews, and reporting, while supporting parental choice through a mixed delivery system of public, private, nonprofit, for-profit, and faith-based providers. ECECD also reported SB 241 supports child development and family workforce participation and contributes to broader economic and workforce stability by providing a more stable operating environment for the childcare sector.



Source: ECECD/LFC Files

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