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HOUSE BILL 269

57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026

INTRODUCED BY

Linda Serrato and Javier Martínez

AN ACT

RELATING TO CHILD CARE; PROVIDING LIMITATIONS FOR USE OF FUNDS RECEIVED BY A LICENSED CHILD CARE PROGRAM AND LICENSED EARLY CHILDHOOD CARE PROGRAM IN CONTRACTING WITH THE EARLY CHILDHOOD EDUCATION AND CARE DEPARTMENT; PROHIBITING THE EARLY CHILDHOOD EDUCATION AND CARE DEPARTMENT FROM CONTRACTING WITH CERTAIN BUSINESS ENTITIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 32A-23C-1 NMSA 1978 (being Laws 2018, Chapter 44, Section 1) is amended to read:

"32A-23C-1. SHORT TITLE.--~~[This act]~~ Chapter 32A, Article 23C NMSA 1978 may be cited as the "Early Childhood Care Accountability Act"."

SECTION 2. A new section of the Early Childhood Care Accountability Act is enacted to read:

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1 "[NEW MATERIAL] LICENSED CHILDHOOD CARE PROGRAMS--
2 APPROPRIATIONS MADE TO THE DEPARTMENT--LIMITATIONS.--

3 A. As used in this section:

4 (1) "department" means the early childhood
5 education and care department;

6 (2) "investment firm" means a corporation,
7 limited partnership or limited liability company that has as
8 its primary business activity the investment of funds in return
9 for equity in or debt of businesses for the purpose of
10 purchasing a direct or indirect ownership share or controlling
11 interest in companies or investing in other assets; and

12 (3) "investment fund" means an entity managed
13 by an investment firm that makes, manages or sources
14 investments in businesses and that:

15 (a) invests money as a primary business
16 activity in return for equity in or debt of a business for the
17 purposes of purchasing a direct or indirect ownership share or
18 controlling interest in companies or investing in other assets;
19 and

20 (b) accepts investments only from
21 accredited investors as defined pursuant to Section 2 of the
22 federal Securities Act of 1933 or from federally recognized
23 Indian nations, tribes and pueblos with at least five million
24 dollars (\$5,000,000) in investment assets.

25 B. Money provided pursuant to a contract between

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1 the department and a licensed child care program or a licensed
2 early childhood care program shall not be used:

3 (1) to pay:

4 (a) monitoring, franchise or management
5 fees paid to the program's ultimate parent company; or

6 (b) executive compensation or bonuses to
7 an investment firm or investment fund; or

8 (2) for operations outside of New Mexico.

9 C. A licensed child care program or licensed early
10 childhood care program contracted with the department shall
11 not:

12 (1) pay out dividend recapitalizations or
13 other capital distributions to investors or owners; or

14 (2) sell real property held by the program,
15 extract proceeds from that sale and enter the program into a
16 lease or other financial arrangement to pay rent to a business
17 entity other than the program.

18 D. By December 1, 2026 and every December 1
19 thereafter, the department shall provide a report to the
20 legislative health and human services committee. The report
21 shall include:

22 (1) the business structure of any controlling
23 business entity, including the business type of the entity and
24 other affiliates under common control, subsidiaries and
25 management services entities of the entity, as of the date of

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underscoring material = new
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1 the submission of the report;

2 (2) executive compensation for the ultimate
3 parent company of a licensed child care program or licensed
4 early childhood care program;

5 (3) the debt-to-earnings ratio and the amount
6 of debt incurred by each individual program and all operations
7 within New Mexico in total;

8 (4) any acquisitions or closures of child care
9 programs and related services in New Mexico by the ultimate
10 parent companies of licensed child care programs or licensed
11 early childhood care programs in the past year;

12 (5) fees or dividends paid to investors;

13 (6) real estate leases and purchases for
14 property used or intended to be used for licensed child care
15 programs or licensed early childhood care programs, including
16 expenditures on rents and maintenance, property taxes paid and
17 the name of the leasing company; and

18 (7) any other information as determined by the
19 department."

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