

LESC bill analyses are available on the New Mexico Legislature website (www.nmlegis.gov). Bill analyses are prepared by LESC staff for standing education committees of the New Mexico Legislature. LESC does not assume any responsibility for the accuracy of these reports if they are used for other purposes.

LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
57th Legislature, 1st Session, 2025

Bill Number	<u>HB71/aHFI#1/aSFC</u>	Sponsor	<u>Gallegos/Johnson</u>
Tracking Number	<u>.229474.1</u>	Committee Referrals	<u>HEC/HAFC;SFC</u>
Short Title	<u>Early Childhood Ed & Care Fund Transfers</u>		
Analyst	<u>Estupiñan</u>	Original Date	<u>2/13/2025</u>
		Last Updated	<u>3/20/2025</u>

BILL SUMMARY

Synopsis of Senate Finance Committee Amendment

The Senate Finance Committee amendment to House Bill 71 (HB71/aHFI#1/aSFC) increases the distribution to the early childhood education and care program fund to \$500 million in FY26.

The amendment changes the allocation of excess revenue from the oil and gas emergency school tax and federal mineral leasing funds between FY26 and FY28, with revenues flowing to the early childhood education and care fund, the behavioral health trust fund, or the Medicaid trust fund. Distributions to the behavioral health trust fund and the Medicaid trust fund will be reduced if the year-end balance of the early childhood education and care fund is less than the fund's balance at the end of FY25. If so, distributions to the proposed trust funds will be reduced by 50 percent of the value of the difference between the early childhood education and care fund's current and end-of-FY25 balances. The revised allocation method will end after FY28. The amendment also includes reporting requirements for expenditures from the early childhood education and care fund.

Synopsis of House Floor Amendment

The House Floor amendment to House Bill 71 (HB71/aHFI#1) establishes a minimum distribution of \$400 million from the early childhood trust fund.

Synopsis of Bill

House Bill 71 (HB71) would amend Section 9-29A-1 NMSA 1978 to increase the minimum annual distributions from the early childhood trust fund from \$250 million to \$500 million.

The bill would be effective July 1, 2025.

FISCAL IMPACT

The bill does not contain an appropriation.

HB71/aHFI#1/aSFC would increase the distribution from the early childhood trust fund from the \$299 million currently projected by the consensus revenue forecasts for FY26 to \$500 million.

Early Childhood Trust Fund Forecast - December 2024

(in millions)

Calendar Year	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Beginning Balance	\$300.0	\$314.1	\$3,462.0	\$5,721.2	\$8,752.0	\$9,636.1	\$10,581.8	\$11,198.0	\$11,678.0
Gains & Losses	\$34.1	(\$6.4)	\$336.1	\$286.1	\$437.6	\$481.8	\$529.1	\$559.9	\$583.9
Excess Federal Mineral Leasing	\$0.0	\$1,501.5	\$2,073.0	\$1,179.8	\$745.4	\$483.1	\$287.6	\$251.4	\$319.9
Excess OGAS School Tax*	\$0.0	\$1,682.80	\$0.0	\$1,815.0	\$0.0	\$382.6	\$282.3	\$192.3	\$218.2
Distribution to ECE Program Fund	(\$20.0)	(\$30.0)	(\$150.0)	(\$250.0)	(\$298.9)	(\$401.8)	(\$482.8)	(\$523.6)	(\$557.6)
Ending Balance	\$314.1	\$3,462.0	\$5,721.2	\$8,752.0	\$9,636.1	\$10,581.8	\$11,198.0	\$11,678.0	\$12,242.3
*Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period, and distributions occur for prior fiscal year in January of the following calendar year.									
Note: Investment return assumed at 4% and distributions occur on July 1, based on previous calendar year-ending balance.									
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Distribution to ECE Program Fund	\$0.00	\$20.00	\$30.00	\$150.00	\$250.00	\$298.92	\$401.82	\$482.83	\$523.60

Source: LFC Files

According to [Volume Two](#) of the Legislative Finance Committee (LFC) appropriation recommendations for FY26, the Early Childhood Education and Care Department (ECECD) requested an increase of \$165.2 million from the general fund, representing a 47.5 percent increase over the FY25 operating budget. The primary focus of this request was expansions for childcare assistance, prekindergarten, home visiting supports for new families, the wage and career pilot, and higher provider rates for the Family, Infant, Toddler program.

In FY25, ECECD received \$250 million from the early care and education trust fund (ECTF) and, for FY26, requested an additional \$37.5 million, bringing the total trust fund revenue request to \$287.7 million. The FY26 LFC recommendation increases the distribution from the ECTF to \$289.9 million.

SUBSTANTIVE ISSUES

Early Childhood Trust Fund. The early childhood education and care fund was established on July 1, 2020, with an initial infusion of \$300 million. Statute required that oil and gas emergency school tax revenue in excess of the five-year average be deposited in the early childhood education and care fund if general fund reserves exceed 25 percent of recurring appropriations. Additionally, statute required that federal mineral leasing payments in excess of the five-year average also be deposited in the early childhood education and care fund.

Statute required a minimum distribution of \$20 million be made to the early childhood education and care program fund in FY22, \$30 million in FY23, \$150 million in FY24, and \$250 million in FY25 and subsequent fiscal years.

SOURCES OF INFORMATION

- LESC Files
- LFC Files
- State Investment Office (SIC)

DE/clh/mca/jkh