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## FISCAL IMPACT REPORT

	<b>LAST UPDATED</b>	3/19/25
<b>SPONSOR</b>	<u>Gallegos/Johnson</u>	<b>ORIGINAL DATE</b>
	Earl Childhood Education & Care Fund	2/14/25
<b>SHORT TITLE</b>	<u>Transfer</u>	<b>BILL</b>
		House Bill
		<b>NUMBER</b>
		71/aHF1#1/aSFC
	<b>ANALYST</b>	<u>Kludt</u>

### APPROPRIATION\* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$210,000.0	Recurring	Early Childhood Education and Care Program Fund

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

### REVENUE\* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
ECE Trust Fund Distribution		\$201,100	\$98,200	\$17,200	(\$23,600)	Recurring	ECE Program Fund
Federal Mineral Leasing Funds		(\$241,600.0)	(\$143,800.0)	(\$125,700.0)		Recurring through 2028	ECE Trust Fund
Federal Mineral Leasing Funds		\$241,600.0	\$143,800.0	\$125,700.0		Recurring through 2028	Medicaid Trust Fund
Excess Revenue From the Oil and Gas Emergency School Tax Revenue		(\$141,200.0)	(\$96,200.0)	(\$109,100.1)		Recurring through 2028	ECE Trust Fund
Revenue From the Oil and Gas Emergency School Tax Revenue		\$141,200.0	\$96,200.0	\$109,100.1		Recurring through 2028	BH Trust Fund

Parentheses ( ) indicate revenue decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 167, Senate Bill 1, and Senate Joint Resolution 6

### Sources of Information

LFC Files

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

## **SUMMARY**

### **Summary of SFC Amendment to House Bill 71**

The Senate Finance Committee to House Bill 71 (HB71) increases the distribution to the early childhood education and care program fund (ECECF) 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, splitting the revenues between the early childhood education and care fund and the behavioral health trust fund (the oil and gas emergency school tax) or the Medicaid trust fund (the federal mineral leasing funds) from FY26 to FY28. Distributions to both the behavioral health trust fund and the Medicaid trust fund will be reduced if, at the end of one of those fiscal years, the balance of the early childhood education and care fund is less than the fund's balance at the end of fiscal year 2025; distributions to the two 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. Following FY28, the revenue will return to the previous allocation structure to the early childhood education and care fund. The bill also introduces annual reporting requirements for expenditures from the early childhood education and care fund.

### **Summary of HFI#1 Amendment to House Bill 71**

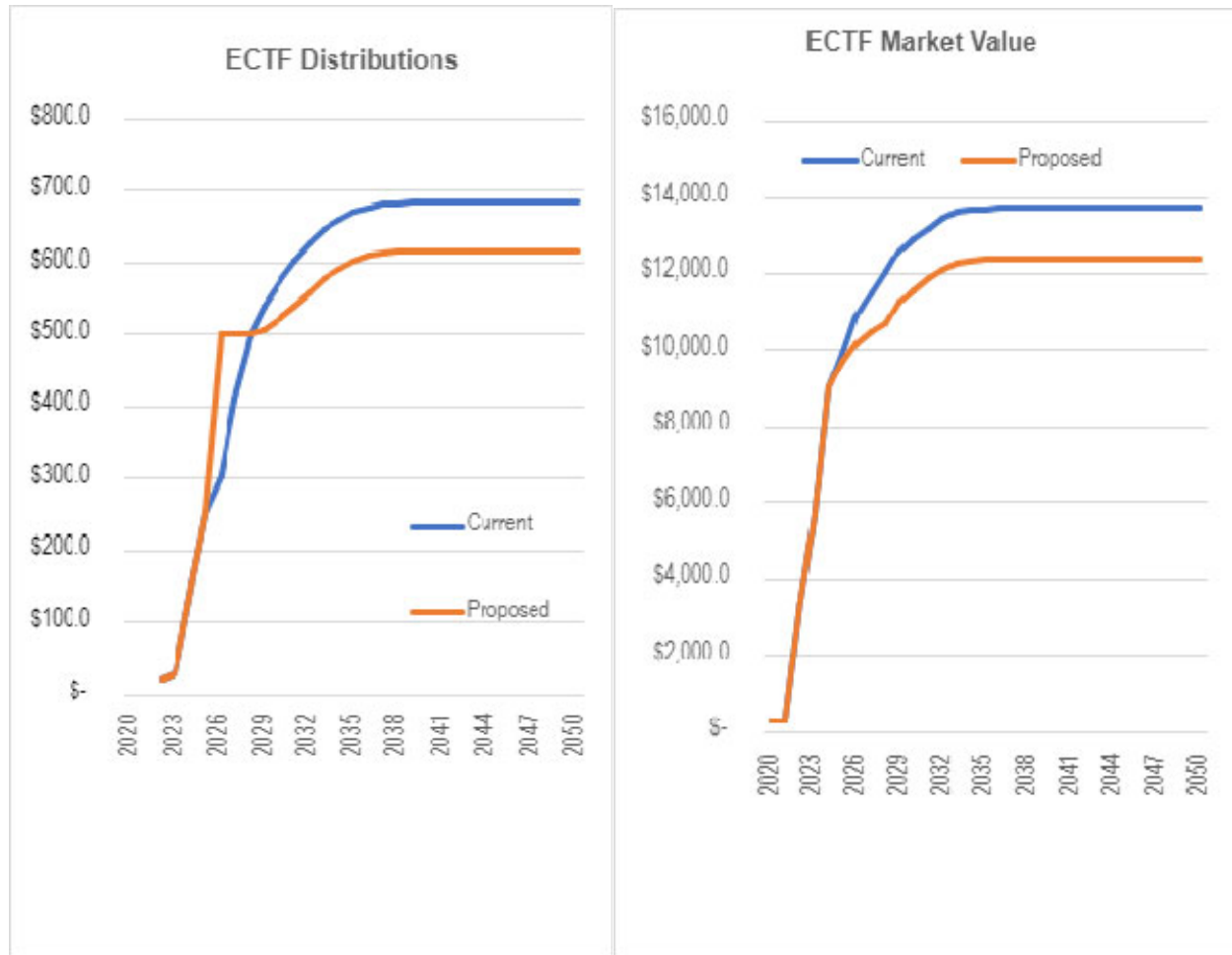
House Floor amendment #1 to House Bill 71 changes the distribution to the early childhood education and care program fund to \$400 million in FY26, previously \$500 million. Current law requires the trust fund to distribute to the program fund each year on July 1 an amount equal to the greater of 5 percent of the fund's average year-end market value over the previous three years or \$250 million. HB71 increases this distribution to the greater of 5 percent of the fund's average year-end market value over the previous three years or \$400 million.

### **Summary of Original Bill**

House Bill 71 increases the distribution to the early childhood education and care program fund (ECECF) to \$500 million in FY26. Current law requires the trust fund to distribute to the program fund each year on July 1 an amount equal to the greater of 5 percent of the fund's average year-end market value over the previous three years or \$250 million. HB71 increases this distribution to the greater of 5 percent of the fund's average year-end market value over the previous three years or \$500 million.

## **FISCAL IMPLICATIONS**

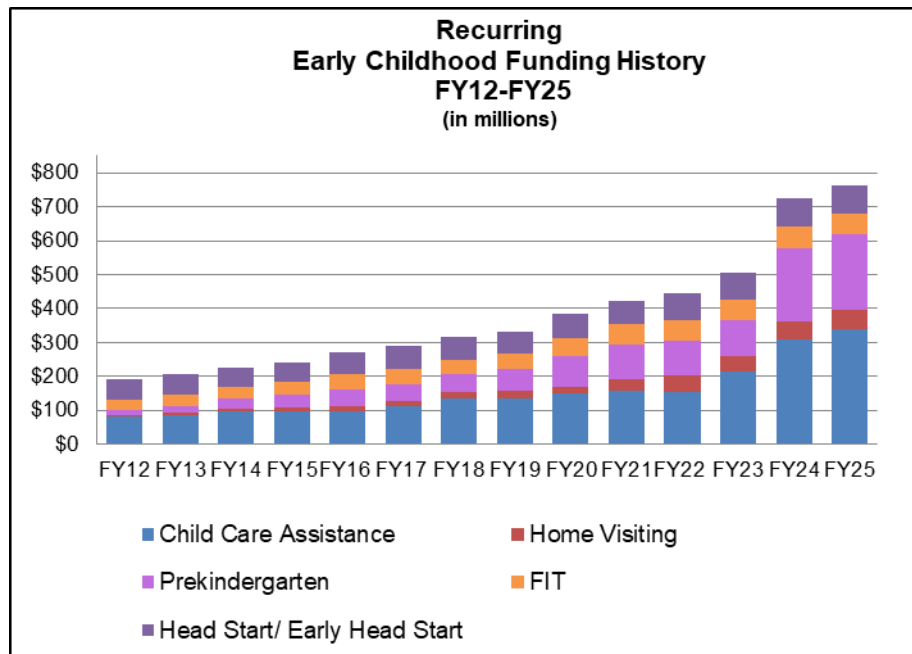
The SFC amendment to House Bill 71 would reduce the long-term distribution to the early childhood education program fund and the market value of the early childhood education and care trust fund by transferring half of the oil and gas emergency school tax revenue and federal mineral leasing funds to the Medicaid trust fund.



From SIC’s analysis of the original bill:

Based on current law, the ECECF annually distributes the greater of \$250 million or 5 percent of the prior three-year average market value. Without any changes, the FY26 distribution from the trust fund would be \$303.3 million. Using consensus revenue estimate assumptions for inflows and returns, the ECECF would distribute an estimated \$410.9 million to the program fund in FY27, and distributions could begin to exceed \$500 million a year in FY28 or FY29.

This bill increases the minimum required annual distribution from \$250 million to \$500 million, which would effectively “speed up” the timing for the trust fund to begin making distributions of this size or greater.



## SIGNIFICANT ISSUES

By increasing the distribution to the program fund to \$500 million and reducing the recurring revenue from the oil and gas emergency school tax revenue and federal mineral leasing funds to the trust fund through 2028, LFC estimates HB71 will have the effect of holding the distribution to the program fund flat at \$500 million until possibly fiscal year 2029.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to Senate Joint Resolution 6, which proposes constitutional amendment to New Mexico voters that, if passed, would amend Article XX of the New Mexico Constitution by adding a new section that will make the early childhood trust fund a permanent fund in the state treasury that may be used only for prenatal programs and services and programs and services that serve children until they are eligible for kindergarten.

This bill relates to Senate Bill 1, which creates the behavioral health trust fund.

Senate Bill 167 (SB167) proposes updates to the statutes governing the early childhood education and care fund on the ratification of the constitutional amendment introduced by Senate Joint Resolution 6 (SJR6). The proposed changes include:

- Increasing the annual distribution from the fund from \$250 million to \$500 million,
- Renaming the fund to the early childhood trust fund,
- Requiring consultation with the Early Childhood Education and Care Department (ECECD) for investments into the fund, and
- Clarifying that, under the constitutional amendment proposed by Senate Joint Resolution 6 (SJR6), the fund may only be used for “prenatal programs and services and for early childhood programs and services for children until they are eligible for kindergarten.”