FISCAL IMPACT REPORT

		LAST UPDATED	3/14/25
SPONSOR	Gallegos/Johnson	**ORIGINAL DATE**	2/14/25
SHORT TITLE	Earl Childhood Education & Care Fund Transfer	**BILL NUMBER**	House Bill 71/aHFl#1
		ANALYST	Klundt

APPROPRIATION*
(dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	$110,000.0	Recurring	Early Childhood Education and Care Program Fund

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

Relates to Senate Bill 167
Senate Joint Resolution 6

Sources of Information

LFC Files

Agency Analysis Received From
Early Childhood Education and Care Department (ECECD)
State Investment Council (SIC)

SUMMARY

Summary of HFl#1 Amendment to House Bill 71

House Floor amendment #1 to House Bill 71 (HB71) 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

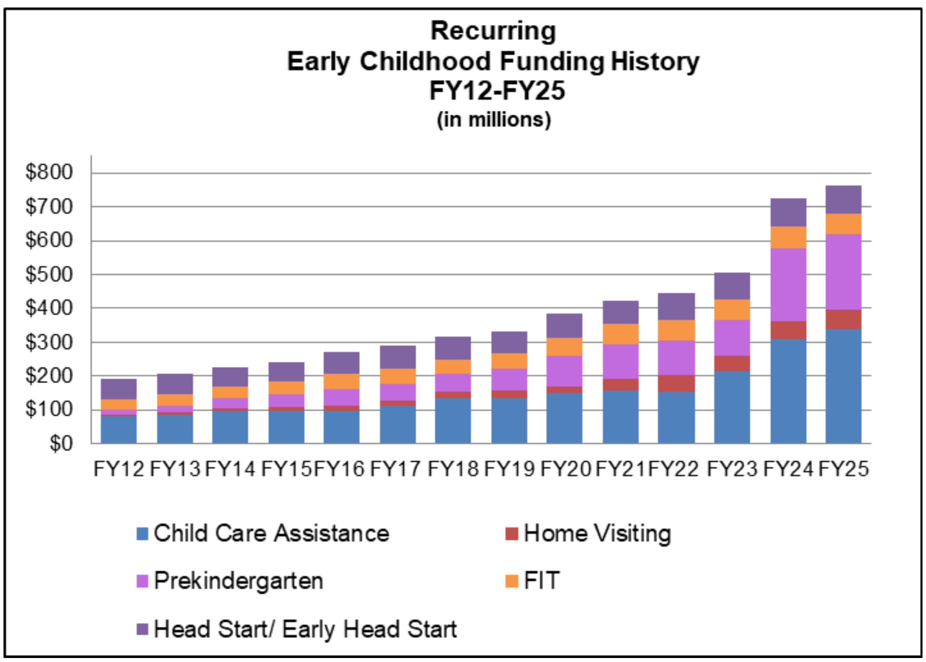
House Bill 71 increases the distribution to the early childhood education and care program fund (ECECF) to $500 million in FY26. Current law requires the trust fund to distribute to the program fund each year on July 1 an amount equal to the greater of 5 percent of the fund's average year-end market 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 HAFC substitute for House Bills 2 and 3 includes an increased distribution of revenues of $400 million.

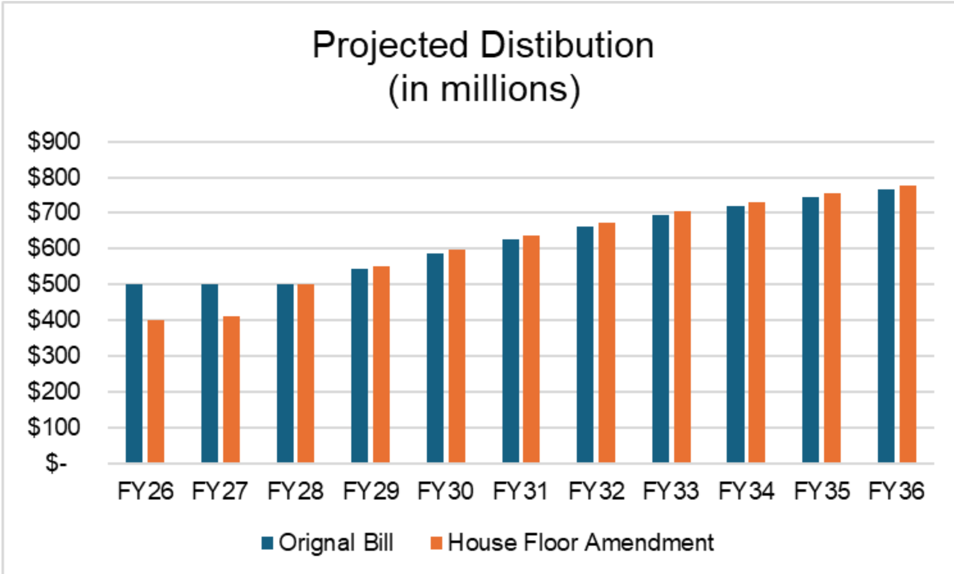
From SIC on original bill increasing distribution to $500 million:

> 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.



Source: LFC Files and ECECD

The following chart compares the distribution impact of the original bill and the bill as amended by HFl#1:



Source: SIC

SIGNIFICANT ISSUES

SIC provided table below in their analysis of the original bill, which shows the long-term estimated impact of this "speed up" to the corpus of trust fund and the size of the distributions to the program fund using a 5 percent long-term annual return assumption, consistent with the assumptions of the Consensus Revenue Estimating Group (CREG), which consists of economist from the Legislative Finance Committee and executive branch.

Using a 5 percent return assumption results in a "flattening" of the long-term fiscal impact because the interest earnings on the trust fund corpus is assumed to be equal to the 5 percent distribution rate to the program fund.

5% Long Term Return Assumption (Consensus Revenue Estimate)

Trust Fund Market Value				Distributions to Program Fund			
Calendar Year	**Current**	**Proposed**	**Difference**	**Fiscal year**	**Current**	**Proposed**	**Difference**
2020	$ 306.1	$ 306.1	$ -	**FY20**			$ -
2021	$ 314.1	$ 314.1	$ -	**FY21**			$ -
2022	$ 3,462.0	$ 3,462.0	$ -	**FY22**	$ 20.0	$ 20.0	$ -
2023	$ 5,721.2	$ 5,721.2	$ -	**FY23**	$ 30.0	$ 30.0	$ -
2024	$ 9,015.8	$ 9,015.8	$ -	**FY24**	$ 150.0	$ 150.0	$ -
2025	$ 9,918.0	$ 9,721.3	**$ (196.7)**	**FY25**	$ 250.0	$ 250.0	**$ -**
2026	$ 10,893.8	$ 10,598.2	**$ (295.6)**	**FY26**	$ 303.3	$ 500.0	**$ 196.7**
2027	$ 11,529.0	$ 11,215.8	**$ (313.3)**	**FY27**	$ 410.9	$ 500.0	**$ 89.1**
2028	$ 12,022.9	$ 11,707.4	**$ (315.5)**	**FY28**	$ 497.1	$ 500.0	**$ 2.9**
2029	$ 12,603.0	$ 12,287.1	**$ (315.9)**	**FY29**	$ 539.0	$ 525.6	**$ (13.4)**
2030	$ 12,920.4	$ 12,604.5	**$ (315.9)**	**FY30**	$ 574.1	$ 558.7	**$ (15.4)**
2031	$ 13,199.2	$ 12,883.3	**$ (315.9)**	**FY31**	$ 602.6	$ 586.8	**$ (15.7)**
2032	$ 13,432.7	$ 13,116.8	**$ (315.9)**	**FY32**	$ 625.8	$ 610.0	**$ (15.8)**

2033	$ 13,580.5	$ 13,264.6	**$ (315.9)**	**FY33**	$ 645.4	$ 629.6	**$ (15.8)**
2034	$ 13,648.2	$ 13,332.2	**$ (315.9)**	**FY34**	$ 659.2	$ 643.4	**$ (15.8)**
2035	$ 13,668.5	$ 13,352.5	**$ (315.9)**	**FY35**	$ 670.2	$ 654.4	**$ (15.8)**
2036	$ 13,670.3	$ 13,354.4	**$ (315.9)**	**FY36**	$ 677.7	$ 661.9	**$ (15.8)**
2037	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY37**	$ 681.6	$ 665.8	**$ (15.8)**
2038	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY38**	$ 683.1	$ 667.3	**$ (15.8)**
2039	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY39**	$ 683.5	$ 667.7	**$ (15.8)**
2040	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY40**	$ 683.5	$ 667.7	**$ (15.8)**
2041	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY41**	$ 683.5	$ 667.7	**$ (15.8)**
2042	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY42**	$ 683.5	$ 667.7	**$ (15.8)**
2043	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY43**	$ 683.5	$ 667.7	**$ (15.8)**
2044	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY44**	$ 683.5	$ 667.7	**$ (15.8)**
2045	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY45**	$ 683.5	$ 667.7	**$ (15.8)**
2046	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY46**	$ 683.5	$ 667.7	**$ (15.8)**
2047	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY47**	$ 683.5	$ 667.7	**$ (15.8)**
2048	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY48**	$ 683.5	$ 667.7	**$ (15.8)**
2049	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY49**	$ 683.5	$ 667.7	**$ (15.8)**
2050	$ 13,670.7	$ 13,354.8	**$ (315.9)**	**FY50**	$ 683.5	$ 667.7	**$ (15.8)**

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.

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."

KK/hj/hg/SL2