

LFC Requester:

Emily Hilla

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov
 (Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 2/17/2025 *Check all that apply:*
Bill Number: SB 397 Original Correction
 Amendment Substitute

Sponsor: Senator Antonio Maestas, Senator Leo Jaramillo **Agency Name and Code Number:** ECECD - 611
Person Writing Analysis: Elizabeth Groginsky

Short Title: New Mexico Next Generation Act **Phone:** 505-231-2997 **Email:** Elizabeth.groginsky@ecd.nm.gov

SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
NFI	NFI	NFI	NFI

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
NFI	NFI	NFI	NFI	NFI

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI	NFI	NFI	NFI

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

SB397 proposes the “New Mexico Next Generation Act” that establishes two funds and a program to provide financial assistance to individuals born in New Mexico on or after July 1, 2025. Under the act, a person qualifies as a beneficiary if born in New Mexico and either 1) has a parent who resided there for at least five consecutive years before their birth, or 2) if the person, while under 18, has been placed in the care of the protective services division of the Children, Youth and Families Department or a licensed child placement agency. Beneficiaries, once they reach the age of 18 and up to 40, can claim financial aid for post-secondary public educational and vocational training expenses, or for a down payment to purchase a residence in New Mexico by completing an approved financial literacy course.

SB397 establishes two funds: the Next Generation Trust Fund and the Baby Bonds Fund. The Next Generation Trust Fund grows from various sources, including gifts and grants, and funds the Baby Bonds Fund, which directly assists beneficiaries. Starting on July 1, 2043, and every July 1 thereafter, funds will be transferred from the Next Generation Trust Fund to the Baby Bonds Fund. The Department of Finance and Administration, along with the State Investment Officer, will decide the amount based on the number of eligible beneficiaries and expected expenses for that year, considering the fund’s balance and projected earnings. By May 1, 2043, and every May 1 after that, the Department of Finance and Administration, working with the Department of Health and the Children, Youth, and Families Department, will estimate the needed expenditures for the upcoming fiscal year and provide this estimate to the State Investment Officer.

SB397 also requires that the Vital Records and Health Statistics Bureau of the Department of Health, the Children, Youth, and Families Department, and the Department of Finance and Administration enter into an agreement to provide information to the Department of Finance and Administration information necessary to determine or verify the identity or number of beneficiaries that may be eligible for assistance.

The bill also creates an exemption from state income taxation for money expended on behalf of a beneficiary. Except as provided by federal law, the money shall not be considered an asset for the purposes of determining a beneficiary’s eligibility for need-based public assistance programs, grants, or aid.

The Department of Finance and Administration, in consultation with the Department of Health and the Children, Youth, and Families Department, is responsible for developing rules for the program’s operation and ensuring proper fund distribution.

SB397 appropriates \$500 million from the general fund to the Next Generation Trust Fund, with an additional \$100,000 to DFA for administrative costs, in FY26 and subsequent fiscal years. Funds remaining at the end of the fiscal year shall not revert to the general fund.

FISCAL IMPLICATIONS

Based on the information provided, this has no impact on ECECD from a fiscal perspective.

SIGNIFICANT ISSUES

SB397 proposes the creation of the “New Mexico Next Generation Act” which includes establishing a trust fund to grow a source of funding to support the baby bonds fund. “Baby bonds” are publicly-funded trust accounts that become available to beneficiaries when they reach adulthood for specific wealth-building uses. Upon adulthood, beneficiaries of baby bonds use that money to pursue higher education or training, or to buy a house.

SB397 does not specify how much a beneficiary may claim under the Act. Educational expenses, vary greatly based on the type of program, the institution, whether the student is attending on a full- or part-time basis. Additionally, recommended downpayments on real estate vary greatly based on the value of the home. As down payments on real estate are generally a percentage of the home’s sale price, SB397 does not specify whether the funds allocated to a beneficiary will be determined as a set monetary value, or whether they will constitute a percentage of the beneficiary’s home’s sale price.

SB397 does not specify whether a beneficiary is able to make more than one claim. It is not clear whether a beneficiary may submit a claim for educational expenses, and then eventually submit a claim for expenses associated with placing a downpayment on a home.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

It relates to HB7 Children’s Future Act and Fund

TECHNICAL ISSUES

The Next Generation Act and Fund may have implications related to New Mexico’s Anti-Donation Clause, found within Article IX, Section 14 of the New Mexico Constitution.

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Next Generation Trust Fund and the Baby Bonds Fund will not be created and eligible children born after January 1, 2025, will not become beneficiaries of a financial resource for educational and housing assistance that would promote long-term wellbeing.

AMENDMENTS