

LFC Requester:	
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

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SECTION I: GENERAL INFORMATION

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

Check all that apply:

Original Amendment
Correction Substitute

Date Prepared: 2025-02-17
Bill No: SB397

Sponsor(s) Antonio Maestas
: Leo Jaramillo

Agency Name CYFD 69000
and Code
Number:
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Analysis:
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Short NEW MEXICO NEXT
Title: GENERATION ACT

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
0	0		
0	0		

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
0	0	0		
0	0	0		

ESTIMATED ADDITIONAL OPERATION BUDGET (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		354.5	344.0	698.5	Recurring	General Fund

Duplicates/Conflicts with/Companion to/Relates to:

Duplicates/Relates to Appropriation in the General Appropriation Act:

SECTION III: NARRATIVE

BILL SUMMARY

If enacted, SB 397 would:

Create the New Mexico Next Generation Act, the Next Generation Trust Fund and the Baby Bonds Fund, make an appropriation for the fund, and provide the following guidance:

* Require the Department of Finance and Administration to promulgate rules and provide administrative oversight for the Fund and the New Mexico Next Generation Act; Clarify that a property interest shall not be created by the New Mexico Next Generation Act and that benefits shall not be guaranteed; Clarify that any money spent for beneficiaries pursuant to the act is exempt from the state income tax; Require information sharing with the Department of Finance and Administration

* Provides definitions as follows:

* Beneficiary, to mean an individual who was born on or after July 1, 2025; has a parent who resided in New Mexico for at least five (5) years following their birth; while under the age of eighteen (18) was placed in the care and custody of the Children, Youth and Families Department protective services division either through legal intervention or through a voluntary service agreement signed by the individual's parent or guardian, or, was placed with a licensed child placement agency under the authority of the Child Placement Agency Licensing Act

* Educational Expenses, to mean tuition and fees, student housing, school supplies or other related expenses for a public post-secondary education institution or for vocational and apprenticeship programs that are recognized at the state and/or federal level

* Eligible Expenditure, to mean an expenditure on behalf of a beneficiary for educational expenses or for a down payment to purchase a residence in New Mexico that is made in accordance with New Mexico law and rules promulgated by the Department of Finance and Administration

* Parent, to mean a biological or adoptive parent whose parental rights have not been terminated.

* Providing guidance that a claim may be made by a beneficiary, between the age of eighteen (18) and forty (40) who has completed a state treasurer approved financial literacy training on behalf of themselves for an eligible expenditure and providing further guidance that the claim must be submitted in the manner prescribed by the department using the correct forms.

* Providing clarification that the Next Generation Trust Fund is created as a non-reverting fund in the state treasury; consists of distributions, transfers, appropriations, gifts, grants, donations, bequests and income from investment of the fund; the purpose of the fund is to establish and grow a source of funding to distribute to the baby bonds fund; the state investment officer shall invest money in the fund in accordance with the prudent investor rule set forth in the Uniform Prudent Investor Act and in consultation with the state treasurer; ensuring that earnings from investment of the fund shall be credited to the fund, and, that money in the fund is subject to appropriation by the legislature and shall be expended only as provided for in the New Mexico Next Generation Act.

* Beginning July 1, 2043 and annually thereafter, directing that a distribution be made from the Next Generation Trust Fund to the Baby Bonds Fund, taking into account the projected need and the available funding.

* Clarifying that the Baby Bonds Fund is created in the state treasury; the purpose of the baby bonds fund is to establish a resource for educational and housing assistance for beneficiaries, and supporting the state's economic development and well-being; the fund consists of distributions made to the fund from the next generation trust fund and other distributions, transfers, appropriations, gifts, grants, donations, bequests and income from investment of the fund; money in the fund is appropriated to the department of finance and administration to make eligible expenditures on behalf of beneficiaries pursuant to the New Mexico Next Generation Act; the department of finance and administration shall administer the fund, and expenditures from the fund shall be by warrant of the secretary of finance and administration pursuant to vouchers signed by the secretary or the secretary's authorized representative.

* Beginning May 1, 2043 and on each May 1 thereafter, the department of finance and administration, in consultation with the department of health and the children, youth and families department, shall project the amount of eligible expenditures required for the upcoming fiscal year and provide its projection to the state investment officer.

* On or after July 1, 2025, the vital records and health statistics bureau of the department of health and the children, youth and families department shall enter into an agreement with the department of finance and administration, and pursuant to the agreement will provide to the department of finance and administration any information necessary to determine or verify the identity or number of beneficiaries that may be eligible for

assistance pursuant to the New Mexico Next Generation Act.

* The Department of Finance and Administration shall promulgate the rules necessary for administration of the Next Generation Trust Fund and the Baby Bonds Fund including:

* Determining an individual's status as a beneficiary

* Determining whether an expenditure is eligible

* Accounting of benefits available for individual beneficiaries

* Any other procedures needed to administer the Baby Bonds Fund and the Next Generation Trust Fund

* Providing clarification that the provisions of the New Mexico Next Generation Act do not guarantee any benefits and shall not be construed to create an interest in property that is enforceable under state law or that does not otherwise exist.

* Providing clarification that except as provided in federal law the money in the next generation trust fund and the baby bonds fund shall not be considered an asset for the purposes of determining a beneficiary's eligibility for need-based public assistance programs, grants or aid.

* Creates a new portion of the Income Tax Act providing guidance regarding the tax-exempt status of expenditures related to the Next Generation Act.

* Creates a new section to the Children's Code -- Nothing in the Children's Code shall be deemed to prohibit the department from providing to the department of finance and administration any information necessary to assist in the determination or verification of the identity or number of beneficiaries that may be eligible for assistance pursuant to the New Mexico Next Generation Act

* Providing an appropriation of five hundred million dollars (\$500,000,000) from the general fund to the next generation trust fund for expenditure in fiscal year 2026 and subsequent fiscal years for the purposes of the next generation trust fund. Further clarifying that any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund; and one hundred thousand dollars (\$100,000) from the general fund to the department of finance and administration for expenditure in fiscal year 2026 and subsequent fiscal years for administering the New Mexico Next Generation Act. Further clarifying any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

* The effective date of this act is July 1, 2025.

FISCAL IMPLICATIONS

If enacted, SB 397 would require a minimum of three (3) additional FTE to regularly review and track date of birth, parent/guardian NM residency status, and child welfare system involvement status related to potential beneficiaries. The FTE would also be responsible for coordinating the transfer of the information regarding beneficiaries to the department of finance and administration to ensure access to accurate information prior to distribution of benefits. The additional FTE would be responsible for working collaboratively with the department of finance and administration to resolve any information

discrepancies regarding past placement with CYFD.

* 3 Program Specialist FTE (payband 70)

SIGNIFICANT ISSUES

While SB 397 has the potential to reduce barriers to access to housing and educational resources for individuals with a history of child welfare involvement, the bill does not fully address the potential challenges of identification for individuals who would qualify as beneficiaries. The bill remains silent on the length of time that an individual would need to have been in the custody of CYFD to qualify as a beneficiary. It is unclear as to whether the potential beneficiary would need to have resided in New Mexico for a significant portion of their life prior to age 18 or if being placed in the custody of CYFD for a short period of time and then relocating to another state would impact eligibility. Additionally, it is unclear if the bill is intended to provide supports to individuals who have aged out of the child welfare system in New Mexico or any individual who has been placed in the care of the department at any point in their life prior to age 18. This has the potential to create barriers to determination regarding beneficiary status.

PERFORMANCE IMPLICATIONS

If enacted, SB 397 would require the promulgation of rules to govern the administration and oversight of the trust funds created through this bill. The bill as currently written remains silent on the length of time that an individual needs to be in the custody of the department in order to be considered a beneficiary. Without knowing the parameters of eligibility, it is not possible to fully articulate the potential performance implications for the agency.

ADMINISTRATIVE IMPLICATIONS

If enacted, SB 397 would require the department of finance and administration to develop processes and procedures for the administration and oversight of the next generation trust fund and the baby bond fund.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The consequences of not enacting SB 397 would be continued status quo.

AMENDMENTS

None.