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

Bill Number HB71 **Sponsor** Gallegos/Johnson

Tracking Number .229474.1 **Committee Referrals** HEC/HAFC

Short Title Early Childhood Ed & Care Fund Transfers

Analyst Estupiñan **Original Date** 2/13/2025

Last Updated _____

BILL SUMMARY

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 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)

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