Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Berghmans	**ORIGINAL DATE**	2/4/25
SHORT TITLE	Employer Child Care Programs	**BILL NUMBER**	Senate Bill 175
		ANALYST	Klundt

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	No fiscal impact	No fiscal impact	No fiscal impact			

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

Relates to House Bill 2

Sources of Information

LFC Files

Agency Analysis Received From
Early Childhood Education and Care Department (ECECD)
New Mexico Finance Authority (NMFA)

SUMMARY

Senate Bill 175 (SB175) proposes amendments to the child care facility revolving loan fund administered by New Mexico Finance Authority (NMFA), which provides loans for health and safety improvements, space expansion, and operating capital. SB175 allows fund money to be used for:

- Loans for providers seeking to expand child care programs;
- Loans to employers seeking to create or expand high-quality child care programs for the employer's employees; and
- The Early Childhood Education and Care Department (ECECD) and NMFA to contract for services with providers and employers seeking to create or expand child care programs for the employer's employees as reasonably adequate legal consideration from money from the fund.

SB175 also specifies that ECECD should give priority for loans to providers that serve proportionately high numbers of state subsidized clients and low-income families that are located in communities with high poverty rates and that provide nontraditional-hour child care.
The bill outlines that providers or employers entering into contracts for services must, within five years of loan disbursement:

- Be located in a designated child care desert;

- Ensure at least 50 percent of the children served are recipients of a child care assistance program expanded or created by the provider or employer;
- Increase the number of children served by at least 10 percent; and
- Satisfy other qualifications determined by ECECD and NMFA.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

No operating budget impacts were identified by either ECECD or NMFA.

Both the LFC and executive recommendation for the General Appropriation Act include $10 million nonrecurring transfer to the child care facility revolving loan fund.

SIGNIFICANT ISSUES

The child care facility revolving loan fund received its initial capitalization in 2005 with a $250 thousand appropriation of federal funds. Because Section 24-24-4 NMSA 1978 limits any single loan to 20 percent of the fund, loans were previously capped at $50 thousand which funded modest expansions. Only one loan was made before the funds were reverted for solvency. In 2024, the Legislature appropriated $1.75 million to the fund, the first funding received in 20 years. Under the current capitalization, loans are capped at $350 thousand, which prevents NMFA from meeting demand from child care providers seeking to establish new centers or undertake significant expansion.

NMFA reports, “Following the Legislature’s appropriation of $1.75 million to the fund in 2024, NMFA and ECECD have collaborated to revise the rules and refresh its partnership in operating the fund. These updates allow for any additional appropriation to be put to work immediately.”

ECECD recommends “high poverty rate” be defined in this bill.

The bill amends Section 24-4-4(B) to include the following language: “as reasonably adequate legal consideration from money from the fund.” NMFA recommends revising this language to “as reasonably adequate legal consideration “*for”* money from the fund”.

KK/sgs/SL2