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FISCAL IMPACT REPORT

LAST UPDATED _____

SPONSOR Muñoz **ORIGINAL DATE** 3/6/2025

BILL

SHORT TITLE Pathway Act for Foster Children **NUMBER** Senate Bill 509

ANALYST Garcia

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$4,000	Nonrecurring	Early Childhood Education and Care Fund

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

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
DFA (Pathway Program)	No fiscal impact	At least \$340	At least \$340	At least \$680	Recurring	Other state funds
TRD	No fiscal impact	Up to \$14.6	No fiscal impact	Up to \$14.6	Nonrecurring	General Fund
Total	No fiscal impact	At least \$354.6	At least \$340	At least \$694.6	Recurring	Other state funds and General Fund

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

Relates to House Bill 404

Sources of Information

LFC Files
Children’s Bureau, Administration for Children and Families

Agency Analysis Received From
Administrative Office of the Courts (AOC)
Office of Family Representation and Advocacy (OFRA)
Tax and Revenue Department (TRD)

Agency Analysis was Solicited but Not Received From
Children, Youth and Families Department (CYFD)
Department of Finance and Administration (DFA)
State Treasurer

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of Senate Bill 509

Senate Bill 509 (SB509) establishes the New Mexico Pathway Act and Pathway Program, which would provide a one-time \$2,000 payment which shall be transferred to the bank accounts of eligible adults who were previously in foster care.

The bill outlines the following eligibility criteria:

- A beneficiary must have spent a cumulative 18 months in foster care,
- A beneficiary must have reached the age of 18 on or after January 1, 2026, and
- A beneficiary must have successfully completed a financial literacy course.

SB509 establishes the Pathway Program Fund as a non-reverting fund within the State Treasury to accept appropriations, transfers, donations and gifts related to the Pathway Program and from which to distribute funds for beneficiaries. The bill requires money in the fund be invested by the state treasurer.

SB509 would require the Department of Finance and Administration (DFA) to administer the Pathway Program, in consultation with Children, Youth and Families Department (CYFD), who must periodically share information with DFA necessary for the department to identify and enroll children in foster care in the program and requires DFA confirm beneficiary eligibility.

SB509 clarifies benefits shall not be guaranteed and notes money distributed to beneficiaries is not subject to state income tax.

SB509 appropriates \$4,000,000 from the Early Childhood Education and Care Fund to Pathway Program fund for expenditure in fiscal year 2026 for the purpose of administering the Act established in the bill.

The effective date of this bill is January 1, 2026.

FISCAL IMPLICATIONS

Roughly 2,100 children are in foster care currently in New Mexico, and the median length of stay is 18 months. However, because foster care data is reported in monthly snapshots, it is difficult to determine the total number of children who have ever been in foster care for 18 months or more and who may be eligible for the benefit proposed in the bill.

According to New Mexico data reported through the federal Administration of Children and Families, roughly 0.46 percent of the state's total child population under age 18, is in foster care. Children may experience more than one incidence of foster care, and the state's rate of repeat maltreatment within the 12 months of an incidence of maltreatment was 15 percent in FY24. For the purpose of this analysis, LFC estimates between 120 and 150 young people could turn 18 and

could become eligible for the benefit each year, at an annual cost estimated between \$240 thousand and \$300 thousand. If the number of young people eligible for the benefit is higher, annual benefit distributions could be higher, and the appropriation to the fund will be spent down more quickly.

Neither DFA nor LFC provided analysis for the bill. LFC estimates at least one FTE at least one entity might be needed to administer the program, at a cost of roughly \$100 thousand annually.

The Office of Family Representation and Advocacy (OFRA) notes the bill will have no fiscal impact to OFRA but notes program costs could exceed the appropriation if all children who were in foster care at any time throughout their lifetime for 18 months are eligible, beginning with children who were in foster care and turn 18 on or after January 1, 2026.

The appropriation of \$4,000,000 contained in this bill is a nonrecurring expense to Early Childhood Education and Care Fund. Any unexpended or unencumbered balance remaining at the end of FY26 shall revert to the Early Childhood Education and Care Fund. This appropriation is not included in the HAFC substitute for the General Appropriations Act.

Taxation and Revenue Department (TRD) notes:

Under federal law, the disbursements of \$2,000 to beneficiaries from the Pathway Program Fund would not be taxable income. Because New Mexico conforms with federal taxation in this regard, these disbursements to beneficiaries would not be taxable income for State of New Mexico purposes. Therefore, there is no state revenue impact.

TRD reports the bill would require the agency to update forms, instructions, publications, and information systems, at a one-time cost of roughly 220 staff hours or \$14,661. It is possible the agency could absorb some of these costs in their operating budget.

SIGNIFICANT ISSUES

According to the Child Welfare Information Gateway of the federal Administration for Children and Families, young people who transition out of foster care face many challenges as they transition to adulthood and prepare to live on their own. A 2024 literature review published in the *Children and Youth Services Review* notes in relation to peers in the general population, children and youth with experiences in foster care generally have poorer educational, economic, housing, health, substance, and criminality outcomes. In addition, this research finds significant differences among children and youth who have experienced foster care, depending on their permanency outcomes; comparing former foster children and youth who were adopted to those with other permanency placements finds that those who are adopted experience more positive life outcomes than their non-adopted peers. Similarly, research suggests children and youth who experience stable foster care before aging out or who continue to receive child welfare services after the age of 18 have similar life outcomes to children who are adopted. However, the research is less clear for children and youth who are reunited with their families.¹

¹ Lindner, A. R., & Hanlon, R. (2024). Outcomes of youth with foster care experiences based on permanency outcome—Adoption, aging out, long-term foster care, and reunification: A systematic review. *Children and Youth Services Review, 156*, 107366.

SB509 does not limit eligibility based on permanency outcome; beginning January 1, 2026 any person over the age of 18 in New Mexico who was in foster care for 18 months or longer at any age, regardless of permanency outcome, such as adoption or reunification, would be an eligible beneficiary of the program. According to 2023 New Mexico foster care exit data reported by the Children’s Bureau of the Administration of Children and Families, 24 percent of exits were to adoption; 53 percent were to family reunification; 14 percent were to guardianship, and the remainder exited to some other placement, such as emancipation.

Young people who age out of foster care without achieving permanency experience particular challenges transitioning to adulthood. According to the federal Administration for Children and Families, youth aging out of foster care experience considerable challenges. One in four adults who age out will experience homelessness by age 19, one in five will be incarcerated by age 19, and one in 10 will become parents by age 19. Additionally, just 57 percent of adults who age out of foster care report being employed at age 21.

The federal Foster Care Independence Act of 1999 established the John H. Chafee Foster Care Independence Program, also known as the Chafee Foster Care Program for Successful transition to Adulthood (Chafee Program). Federal funding administered through the Chafee Program are intended to help youth transitioning out of foster care to achieve self-sufficiency. New Mexico’s annual Chafee Program allocation is roughly \$800 thousand annually. The federal Chafee statute also includes a separate authorization for the Education and Training Voucher (ETV) program. States may use ETV funding to provide a voucher—worth up to \$5,000 each year or the cost of attendance (whichever is less)—for a Chafee-eligible youth to attend an institution of higher education, as these terms are defined by the Higher Education Act (HEA). New Mexico’s allocation is roughly \$250 thousand annually.

In 2019, the Legislature adopted the Fostering Connections Act, which created an extended foster care program and extended the available age for support and services to young adults involved with CYFD from age 18 to age 21. Extended support programs include supportive housing, connections to community-based behavioral health services, job assistance, food access, and financial assistance for higher education. Youth enrolled in Fostering Connections are eligible to receive a \$750 maintenance payment each month. The Fostering Connections Program is voluntary, and young adults who age out of foster care are not required to receive services. Fostering Connections is funded through Temporary Assistance for Needy Families (TANF) and Chafee Program revenues.

In FY23, CYFD reported that roughly 280 young adults received in-home services through the Fostering Connections Program, roughly 58 young adults participated in extended foster care behavioral health service coordination, and roughly 34 young adults received transitional living supportive housing.

According to the federal National Youth in Transition Database data for New Mexico, which tracks cohorts of youth who age out of foster care, among the 2020 to 2024 surveyed cohort of youth who aged out of foster care, at age 19:

- 44 percent had obtained a high school credential or GED and 0 percent had achieved post-secondary education,
- 56 percent reported receiving public food assistance, and
- 11 percent reported experiencing homelessness at the time of the survey.

SB509 would provide a one-time payment of \$2,000 to eligible adults to be used for housing, education, or workforce training expenses.

ADMINISTRATIVE IMPLICATIONS

Agency analysis noted the bill is vague regarding how CYFD and DFA should collaborate to administer the program. The bill would likely require the two agencies to work together to confirm eligibility and make distributions to former foster youth.

The bill does not specify whether or not DFA may use any appropriations to the fund for the purposes of program administration, though the bill DFA shall administer the fund.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to House Bill 404, which creates a 3-year pilot program to pay monetary cost-of-living stipends not to exceed \$2 thousand to former foster children or children adjudicated under the Delinquency Act under the age of 26 who participated in or aged out of the Fostering Connections Program.

If the allowable uses of the Early Childhood Care and Education Fund change, the proposed use of the fund of the Pathway Program may not be allowable.

TECHNICAL ISSUES

TRD notes because the Pathway Act benefit will not be taxable income for either federal or state purposes, the bill may be simplified by deleting Section 6 in the bill.

OTHER SUBSTANTIVE ISSUES

The Administrative Office of the Courts (AOC) reports while Section 5 of SB509 states the provisions of the Pathway Act do not guarantee any benefits and shall not be construed to create an interest in property that does not otherwise exist or is enforceable under state law, it is possible that a person who has been denied beneficiary status might bring an action seeking to challenge that denial. In addition, AOC notes the bill does not establish procedures for challenging any denial of beneficiary status.

RMG/hj/sgs