

LFC Requester:

Kelly Klundt

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](https://www.legis.nm.gov/AgencyAnalysis) 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: 2/10/2025 Check all that apply:
Bill Number: HB7 Original Correction
 Amendment Substitute

Sponsor: Linda Serrato **Agency Name and Code**
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Short Title: Children's Future Act & Fund **Phone:** 505-231-2997 **Email:** Elizabeth.Groginsky@cecd.nm.gov

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

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
NFI	NFI		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
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						

(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:

HB7 proposes the “Children’s Future Act,” which would create the “Children’s Future Fund” as a nonreverting fund in the state treasury. This fund would provide assistance to beneficiaries, defined as persons born in New Mexico on or after January 1, 2025, and whose primary residence since birth is continuously in New Mexico and who graduate from high school in New Mexico. Assistance provided will be for the purposes of assisting beneficiaries in pursuing education, housing, entrepreneurship, retirement, and investment opportunities. The fund would consist of distributions, transfers, appropriations, gifts, grants, donations and income from investment of the fund. Two-thirds of a transfer, distribution, appropriation, gift, grant or donation to the fund would be invested by the state investment officer for 18 years, and then that two-thirds and associated income from investment would be invested by the state treasurer. One-third of the transfer, distribution, appropriation, gift, grant, or donation would be invested by the state investment officer. The fund would be appropriated to and administered by the Department of Finance and Administration for the purposes of the Children’s Future Act.

HB7 also proposes that money transferred or spent on behalf of a beneficiary pursuant to the Children’s Future Act would be exempt from state income tax.

HB7 also proposes to create a “Children’s Future Task Force” to study and provide recommendations on the design and administration of the Children’s Future Act. The task force would function until December 31, 2025 and would be administratively supported by the state investment council. The membership of the task force would include one representative each from the state investment council; the state treasurer’s office; the department of finance and administration; the public, appointed by the governor; and four public members appointed by the president pro tempore of the senate, the minority senate floor leader, the speaker of the house, and the minority floor leader of the house, respectively.

The proposed task force would research and produce a report with recommendations for the administration, implementation, eligibility, and usages of the Children’s Future Act. The task force would report its findings, recommendations, and proposed legislation to the governor and the legislature by December 31.

HB7 proposes \$5,000,000 be appropriated from the general fund to the Children’s Future Fund for expenditure in FY26 and subsequent fiscal years. Any unexpended or unencumbered balance would not revert.

FISCAL IMPLICATIONS

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

SIGNIFICANT ISSUES

HB7 proposes the creation of the “Children’s Future Fund,” which is designed similarly to “baby bond” policy proposals. “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, buy a house, start a business, or pursue other wealth-building activities.

Baby bonds are intended as a strategy to reduce wealth inequalities and address intergenerational poverty by providing children the opportunity to build assets from birth. There are substantial disparities in income and wealth in the United States, and structural barriers and racial discrimination manifest this overall inequality along racial lines. According to a [2024 report](#), in 2022 the average wealth of white families nationally was six times the average wealth of Black and Hispanic families. These disparities are also pronounced in New Mexico: according to the [Economic Policy Institute](#), New Mexico ranks 45th in income inequality.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

None.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

The stated purpose of the Future Fund is to “assist beneficiaries who graduate from a high school in New Mexico in pursuing education, housing, entrepreneurship, retirement and investment opportunities. HB7 does not provide additional guidance as to what constitutes a “retirement opportunity” or an “investment opportunity.” There are foreseeable issues of statutory interpretation, as “investment opportunity” is a broad term.

Additionally, the Children’s Future 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

None.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Children’s Future Fund will not be created and eligible children born after January 1, 2025, will not become beneficiaries of the fund. Additionally, the Children’s Future Task Force will not be created to study or make recommendations regarding the administration of the Children’s Future Act.

AMENDMENTS