

LFC Requester: \_\_\_\_\_

**AGENCY BILL ANALYSIS  
2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO  
[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto: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}*

Check all that apply:

Original  Amendment \_\_\_\_\_  
Correction \_\_\_\_\_ Substitute \_\_\_\_\_

Date Prepared 1/31/25

Bill Number: HOUSE BILL 71

Sponsor: Rep. Gallegos  
Short Title: EARLY CHILDHOOD ED &  
CARE FUND TRANSFERS

Agency Name and Code: DFA-341  
Number: \_\_\_\_\_  
Person Writing: Delgado L.  
Phone: \_\_\_\_\_ Email: leonardo.delgado@dfa

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
	\$196,680	\$89,240	R	Early Childhood Education and Care Program Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>						

(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:

HB 71 increases funding for Early Childhood Education and Care Program Fund in New Mexico by enhancing the annual transfer from the Early Childhood Education and Care Fund (ECECF) to the Early Childhood Education and Care Program Fund.

Current legislation requires the trust fund to distribute to the program fund each year on July 1 an amount equal to the greater of 5% of the fund’s average year-end market value over the previous three years or \$250 million. HB 71 increases this distribution to the greater of 5% of the fund’s average year-end market value over the previous three years or \$500 million.

**FISCAL IMPLICATIONS**

HB 71 increases the distribution to the Early Childhood Education and Care Program Fund to \$500 million in FY26. This is an increase of \$196.7 million, \$89.2 million, and \$3.6 million in FY26, FY27, and FY28 respectively. By FY29, the legislation’s formula takes effect, distributing an amount exceeding the \$500 million minimum.

This initial analysis compares the baseline estimate under current law, assuming a 5% rate of return based on CREG projections, with the proposed changes in HB 71, also using a 5% rate of return. Additionally, all estimates incorporate updated inputs from the December 2024 Consensus Revenue Forecast, including excess oil and gas revenue contributions to the fund and the updated 2024 year-end balance from the State Investment Council (SIC)

**Early Childhood Education and Care Fund (Base)**

	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29
<b>Beginning Balance</b>	\$300.0	\$306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,908.7	\$ 10,859.0	\$ 11,475.5	\$ 11,955.6
<b>Gains &amp; Losses</b>	\$ 6.1	\$ 27.9	\$ (7.1)	\$ 336.3	\$ 549.7	\$ 450.8	\$ 495.4	\$ 543.0	\$ 573.8	\$ 597.8
<b>Excess FML</b>	\$ -	\$ -	\$ 1,501.7	\$ 2,073.0	\$ 1,179.8	\$ 745.4	\$ 483.1	\$ 287.6	\$ 251.4	\$ 319.9
<b>Excess OGAS School Tax</b>	\$ -	\$ -	\$ 1,682.8	\$ -	\$ 1,815.0	\$ -	\$ 382.6	\$ 282.3	\$ 192.3	\$ 218.2
<b>Distribution to ECE Program Fund</b>	\$ (20.0)	\$ (30.0)	\$ (150.0)	\$ (250.0)	\$ (303.3)	\$ (410.8)	\$ (496.4)	\$ (537.4)	\$ (571.5)	\$ (571.5)
<b>Ending Balance (\$ in millions)</b>	<b>\$306.1</b>	<b>\$314.1</b>	<b>\$ 3,462.0</b>	<b>\$ 5,721.2</b>	<b>\$ 9,015.8</b>	<b>\$ 9,908.7</b>	<b>\$ 10,859.0</b>	<b>\$ 11,475.5</b>	<b>\$ 11,955.6</b>	<b>\$ 12,520.0</b>

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
<b>Distribution to ECE Program Fund</b>	\$ -	\$ 20.0	\$ 30.0	\$ 150.0	\$ 250.0	\$ 303.3	\$ 410.8	\$ 496.4	\$ 537.4

Note: FML and OGAS distributions based on December 2024 Consensus Revenue Forecast

Note: Distribution to ECE Program Fund occurs in FY not CY

Note: 2023's HB191 increased minimum distribution from \$30 million to \$150 million in FY24

Note: 2024's SB153 increased minimum distribution from \$155 million to \$250 million in FY25

**Early Childhood Education and Care Fund (Base with increased FY26 distribution)**

	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29
Beginning Balance	\$300.0	\$306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,712.0	\$ 10,563.3	\$ 11,161.3	\$ 11,639.2
Gains & Losses	\$ 6.1	\$ 27.9	\$ (7.1)	\$ 336.3	\$ 549.7	\$ 450.8	\$ 485.6	\$ 528.2	\$ 558.1	\$ 582.0
Excess FML	\$ -	\$ -	\$ 1,501.7	\$ 2,073.0	\$ 1,179.8	\$ 745.4	\$ 483.1	\$ 287.6	\$ 251.4	\$ 319.9
Excess OGAS School Tax	\$ -	\$ -	\$ 1,682.8		\$ 1,815.0		\$ 382.6	\$ 282.3	\$ 192.3	\$ 218.2
Distribution to ECE Program Fund	\$ (20.0)	\$ (30.0)	\$ (150.0)	\$ (250.0)	\$ (500.0)	\$ (500.0)	\$ (500.0)	\$ (500.0)	\$ (523.9)	\$ (556.1)
<b>Ending Balance (\$ in millions)</b>	<b>\$306.1</b>	<b>\$314.1</b>	<b>\$ 3,462.0</b>	<b>\$ 5,721.2</b>	<b>\$ 9,015.8</b>	<b>\$ 9,712.0</b>	<b>\$ 10,563.3</b>	<b>\$ 11,161.3</b>	<b>\$ 11,639.2</b>	<b>\$ 12,203.2</b>

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Distribution to ECE Program Fund	\$ -	\$ 20.0	\$ 30.0	\$ 150.0	\$ 250.0	\$ 500.0	\$ 500.0	\$ 500.0	\$ 523.9

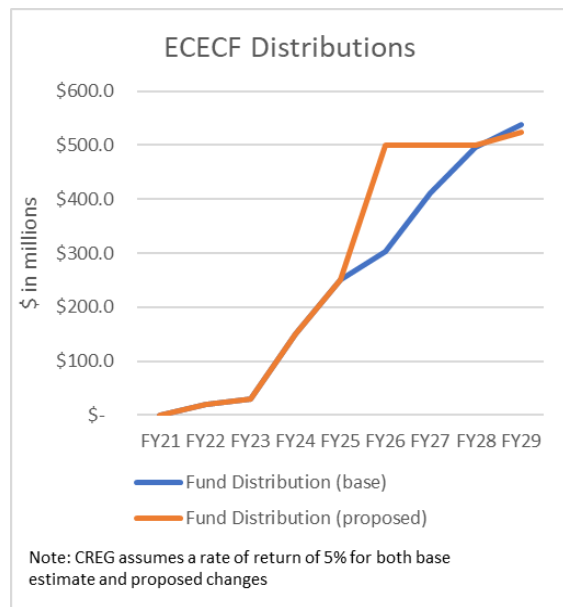
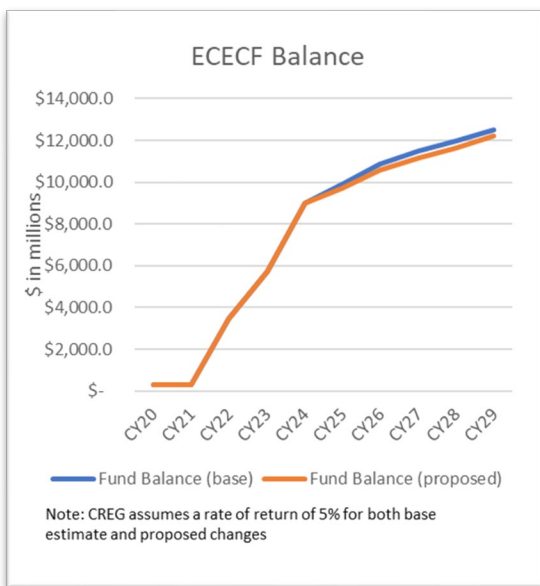
Note: FML and OGAS distributions based on December 2024 Consensus Revenue Forecast

Note: Distribution to ECE Program Fund occurs in FY not CY

Note: 2023's HB191 increased minimum distribution from \$30 million to \$150 million in FY24

Note: 2024's SB153 increased minimum distribution from \$155 million to \$250 million in FY25

The analysis projects baseline distributions will grow to \$537.4 million in FY29. If HB 71 is enacted, distributions will reach \$523.9 million by FY29. The smaller distribution in FY29 (a decrease of \$13.4 million) is attributed to lost earnings from the increased distributions. Fund balance and distribution trajectories are illustrated in the graphs below.



The second part of this analysis compares the baseline estimate, using CREG's more conservative 5% rate of return assumption, with HB 71's proposed changes, with the State Investment Council's (SIC) rate of return assumption of 6.77%. Initially, SIC invested the ECECF conservatively, but in recent years, it has adopted a more aggressive allocation strategy, shifting the fund into "growth mode."

The baseline analysis projects distributions will grow to \$537.4 million in FY29, with CREG's more conservative 5% rate of return assumption.

**Early Childhood Education and Care Fund (Base)**

	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29
Beginning Balance	\$300.0	\$306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,908.7	\$ 10,859.0	\$ 11,475.5	\$ 11,955.6
Gains & Losses	\$ 6.1	\$ 27.9	\$ (7.1)	\$ 336.3	\$ 549.7	\$ 450.8	\$ 495.4	\$ 543.0	\$ 573.8	\$ 597.8
Excess FML	\$ -	\$ -	\$ 1,501.7	\$ 2,073.0	\$ 1,179.8	\$ 745.4	\$ 483.1	\$ 287.6	\$ 251.4	\$ 319.9
Excess OGAS School Tax	\$ -	\$ -	\$ 1,682.8	\$ -	\$ 1,815.0	\$ -	\$ 382.6	\$ 282.3	\$ 192.3	\$ 218.2
Distribution to ECE Program Fund	\$ (20.0)	\$ (30.0)	\$ (150.0)	\$ (250.0)	\$ (250.0)	\$ (303.3)	\$ (410.8)	\$ (496.4)	\$ (537.4)	\$ (571.5)
<b>Ending Balance (\$ in millions)</b>	<b>\$306.1</b>	<b>\$314.1</b>	<b>\$ 3,462.0</b>	<b>\$ 5,721.2</b>	<b>\$ 9,015.8</b>	<b>\$ 9,908.7</b>	<b>\$ 10,859.0</b>	<b>\$ 11,475.5</b>	<b>\$ 11,955.6</b>	<b>\$ 12,520.0</b>

	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Distribution to ECE Program Fund	\$ -	\$ 20.0	\$ 30.0	\$ 150.0	\$ 250.0	\$ 303.3	\$ 410.8	\$ 496.4	\$ 537.4

Note: FML and OGAS distributions based on December 2024 Consensus Revenue Forecast

Note: Distribution to ECE Program Fund occurs in FY not CY

Note: 2023's HB191 increased minimum distribution from \$30 million to \$150 million in FY24

Note: 2024's SB153 increased minimum distribution from \$155 million to \$250 million in FY25

If enacted, the analysis of HB71's increased distribution, based on SIC's 6.67% rate of return, projects baseline distributions will grow to \$541.5 million in FY29 under the more aggressive rate of return.

**Early Childhood Education and Care Fund (Increased FY26 distribution with a rate of return assumption of 6.77%)**

	CY20	CY21	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29
Beginning Balance	\$300.0	\$306.1	\$ 314.1	\$ 3,462.0	\$ 5,721.2	\$ 9,015.8	\$ 9,871.6	\$ 10,905.6	\$ 11,713.8	\$ 12,409.0
Gains & Losses	\$ 6.1	\$ 27.9	\$ (7.1)	\$ 336.3	\$ 549.7	\$ 610.4	\$ 668.3	\$ 738.3	\$ 793.0	\$ 840.1
Excess FML	\$ -	\$ -	\$ 1,501.7	\$ 2,073.0	\$ 1,179.8	\$ 745.4	\$ 483.1	\$ 287.6	\$ 251.4	\$ 319.9
Excess OGAS School Tax	\$ -	\$ -	\$ 1,682.8	\$ -	\$ 1,815.0	\$ -	\$ 382.6	\$ 282.3	\$ 192.3	\$ 218.2
Distribution to ECE Program Fund	\$ (20.0)	\$ (30.0)	\$ (150.0)	\$ (250.0)	\$ (250.0)	\$ (500.0)	\$ (500.0)	\$ (500.0)	\$ (541.5)	\$ (583.8)
<b>Ending Balance (\$ in millions)</b>	<b>\$306.1</b>	<b>\$314.1</b>	<b>\$ 3,462.0</b>	<b>\$ 5,721.2</b>	<b>\$ 9,015.8</b>	<b>\$ 9,871.6</b>	<b>\$ 10,905.6</b>	<b>\$ 11,713.8</b>	<b>\$ 12,409.0</b>	<b>\$ 13,203.4</b>

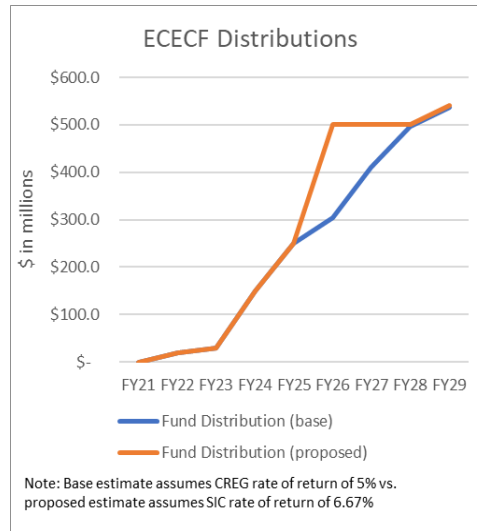
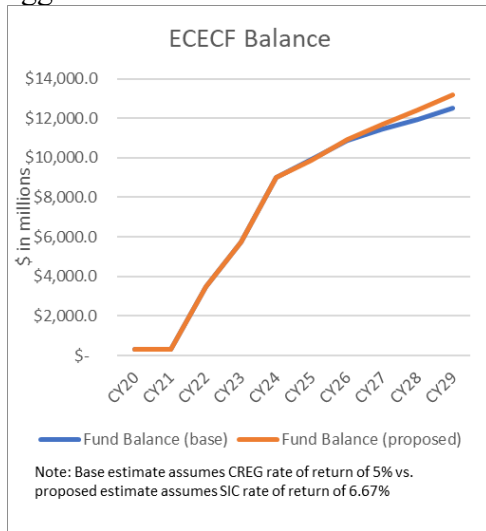
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Distribution to ECE Program Fund	\$ -	\$ 20.0	\$ 30.0	\$ 150.0	\$ 250.0	\$ 500.0	\$ 500.0	\$ 500.0	\$ 541.5

Note: FML and OGAS distributions based on August 2023 Consensus Revenue Forecast

Note: Distribution to ECE Program Fund occurs in FY not CY

Note: 2023's HB191 increased minimum distribution from \$30 million to \$150 million in FY24

The graphs below illustrate a comparison of fund balances and distributions under current law, using the more conservative rate of return, versus the proposed changes, which use the more aggressive rate of return. Neither the ECECF balance nor distributions decline.



Lastly, a baseline estimate compared to the estimate with HB 71's proposed changes, constructed using SIC's rate of return assumption in both scenarios, would yield the same result as the first analysis in this FIR.

**SIGNIFICANT ISSUES**

**PERFORMANCE IMPLICATIONS**

**ADMINISTRATIVE IMPLICATIONS**

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

**TECHNICAL ISSUES**

**OTHER SUBSTANTIVE ISSUES**

**ALTERNATIVES**

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The Early Childhood Education and Care Program Fund will not receive an increase of \$196.7 million, \$89.2 million, and \$3.6 million in FY26, FY27, and FY28 respectively.

**AMENDMENTS**