

N/A	N/A	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	N/A	N/A	N/A	N/A	N/A	N/A

(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

House Bill 404 (HB404) creates a Pilot Monetary Stipend Project - a three-year pilot program to offer monthly financial assistance to young adults who were formerly in foster care or juvenile detention and assess whether the stipends improve education, employment, and healthcare outcomes for the recipients of this financial assistance. There is an appropriation of three million dollars (\$3,000,000) for Fiscal Year (FY) 2026-2028 from the General Fund to the New Mexico Higher Education Department (NMHED) for the monetary stipend project. Any unexpended or unencumbered balance remaining at the end of FY28 reverts to the General Fund.

Eligible participants must be:

- New Mexico residents, a United States citizen, or a lawful permanent resident;
- be less than 26 years of age; and
- have been a former foster child, have been adjudicated and incarcerated pursuant to the Delinquency Act, or aged out of the fostering connections program as provided in the Fostering Connections Act.

In addition, the participant must be:

- enrolled in a postsecondary educational program;

- participating in an apprenticeship program or workforce development recognized by the New Mexico Department of Workforce Solutions (NMDWS); or
- participating in a program or activity designed to promote employment or remove barriers to employment.

NMHED, in consultation with the New Mexico Health Care Authority (NMHCA), determines the amount of monetary stipend individually for each participant, adjusted based on the participant's income and other public assistance that the participant receives; provided that the stipend not exceed two thousand dollars (\$2,000) per month - subject to the appropriation available. The stipend may be expended on cost-of-living expenses, such as housing.

NMHED shall develop rules that determine the:

- form and manner of the appropriation;
- procedures and criteria for reviewing applications;
- the methodology for evaluating participants; and
- any other rules necessary

If NMHED determines that the federal Social Security Act requires waivers or authorization from the United States in order to carry out the Pilot Monetary Stipend Project, NMHED is to notify NMHCA, and NMHCA shall request the necessary waivers or authorizations no later than December 31, 2025.

NMHED is to report to the legislative Health and Human Services Committee on May 1 and November 1 of each year of the project. No later than October 31, 2031, NMHED must provide a final report to the legislative Health and Human Services Committee on the outcomes for the participants, the fiscal impact of the program, and any other recommendations the department deems appropriate.

FISCAL IMPLICATIONS

HB404 appropriates three million dollars (\$3,000,000) from the General Fund to NMHED to be used from FY26 through FY28 to support this project. Any unexpended or unencumbered funds remaining at the end of FY28 revert to the General Fund.

HB404 assigns significant new duties to NMHED, it is unclear what the cost would be, but either new staff would need to be hired, or NMHED would need to contract with a third party to administer the program. The additional costs are unknown at this time.

With a maximum award of \$2,000 per month, the pilot project would be able to provide support to approximately 40 to 50 participants.

SIGNIFICANT ISSUES

The Pilot Monetary Stipend Project assigns new duties to NMHED that are quite different from current duties and responsibilities. NMHED administers several financial aid and loan repayment

programs. Financial aid awards are distributed by NMHED to postsecondary education institutions to be administered. Loan repayment is handled by NMHED, but payments are made to eligible applicants in lump sum payments, not as monthly stipends.

To administer this program, NMHED would not only need to evaluate the initial eligibility of participants, but would also need to monitor continued eligibility for monthly stipend payments. And the stipend amount is to be individualized for each participant, depending on other income of the participant, so new data collection and evaluation procedures would need to be developed.

The final report isn't due until three years after the end of the pilot project, so NMHED would need to track the participants for up to three years after their participation in the program to be able to evaluate the long-term benefit to the participants. This would also require the participants to continue to provide income and other outcome data to NMHED on a regular basis.

In addition, just tracking the participants would not provide enough information for a valid evaluation of the program. To properly evaluate the effect of the Pilot Stipend Program, data on similar individuals who did not receive the stipends should be collected so that a comparison could be made. It isn't clear how that comparative data could be collected.

PERFORMANCE IMPLICATIONS

A final evaluation report on the effect of the Pilot Monetary Stipend Project, as well as bi-annual reports during the life of the project, are specified in HB404.

ADMINISTRATIVE IMPLICATIONS

There are numerous new administrative duties placed on NMHED by HB404. NMHED does not currently make monthly payments to individuals and does not have in place mechanisms for collecting and verifying income and employment of individuals - both requirements of HB404.

There is also the need to develop new rules to carry out the Pilot Monetary Stipend Project, and the requirement to provide bi-annual reports and a final evaluation report.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

N/A

ALTERNATIVES

N/A

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

N/A

AMENDMENTS

N/A