

**BILL ANALYSIS AND FISCAL IMPACT REPORT**  
**Taxation and Revenue Department**

**February 26, 2025**

**Bill:** SB-509

**Sponsor:** Senator George K. Muñoz

**Short Title:** Pathway Act For Foster Children

**Description:** This bill creates the Pathway Act, providing for benefits of up to \$2,000 to certain individuals who have aged out of foster care.

As it relates to Tax & Rev, Section 6 of this bill creates a new section of the Income Tax Act exempting from state income taxation money transferred to or spent on behalf of a Pathway Act beneficiary. Pathway Act beneficiaries are persons who have spent at least 18 cumulative months in foster care, who have reached the age of 18 years on or after January 1, 2026, and who have taken a financial literacy course. Pathway Act beneficiaries may receive up to \$2,000 for education, housing, or workforce training on a one-time basis.

Section 7 of this bill appropriates \$4 million from the Early Childhood Education and Care Fund to the Pathway Program Fund for expenditure in FY26 and subsequent fiscal years for the purposes of administering the Pathway Act. Any unexpended or unencumbered balance remaining in the Pathway Program Fund at the end of a fiscal year shall not revert to the Early Childhood Education and Care Fund.

**Effective Date:** January 1, 2026

**Taxation and Revenue Department Analyst:** Sara Grubbs

Appropriation*		R or NR**	Fund(s) Affected
FY2025	FY2026		
	\$4,000	NR	Pathway Program Fund

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss. \*\* Recurring (R) or Non-Recurring (NR).

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	--	None			R	Section 6: General Fund – Exemption PIT

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss. \*\* Recurring (R) or Non-Recurring (NR).

**Methodology for Estimated Revenue Impact:** 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 Payway Act beneficiaries would not be taxable income for State of New Mexico purposes. Therefore, there is no state revenue impact.

**Policy Issues:**

Foster youths face immense obstacles when transitioning to adult life and can be ill-equipped to care for themselves as independent adults. These youths are often exposed to multiple childhood adverse

experiences (ACEs) before entering the foster care system<sup>1</sup>. ACEs can include violence, abuse, or neglect, in the home or community, parental or guardian substance abuse or mental health issues, or through parental separation, among others. The greater the number of ACEs a child experiences, the more likely the child will suffer from mental health or chronic health conditions<sup>2</sup>. Foster children are twice as likely to experience post-traumatic stress disorder (PTSD) compared to non-foster children<sup>3</sup>. Youths placed in foster group homes are 2.5 times more likely to be involved in the criminal justice system<sup>4</sup>.

When a foster child ages out of foster care, the young adult loses access to almost all resources provided by the foster care system. Nationally, 20% of children who age out of foster care become instantly homeless<sup>5</sup>. 65% of former foster youth have an annual income below the poverty line at age 23<sup>6</sup>. 49% of women who were in foster care as children become pregnant by age 21, with 33% of men impregnating someone<sup>7</sup>.

New Mexico has recently shown dramatic improvement in eradicating poverty, especially child poverty, as evidenced by the Supplemental Poverty Measure issued by the U.S. Census Bureau. This proposal may continue that progress by providing a monetary disbursement for housing, education, or workforce training expenses. This bill may continue that path of progress.

This bill may reduce social costs over the long-term by reducing social, economic, and psychological problems that former foster children face. In this sense, the bill is expected to have a positive future social impact, and therefore a positive fiscal impact in the long term.

The disbursements from this fund will complement the Children, Youth & Families Department’s (CYFD) Fostering Connections program. Fostering Connections is a combination of services and support available to young people currently in the foster care system and those who age out from foster care, ages 18- 26. These voluntary services help youth transition to adulthood. These services may include resources for financial literacy, housing, employment opportunities, and educational support<sup>8</sup>.

**Technical Issues:** Because Path Act benefits will not be taxable income for either federal or state purposes, it is possible to simplify the bill and the tax code by deleting Section 6 of the bill.

**Other Issues:** None.

**Administrative & Compliance Impact:** Tax & Rev will update forms, instructions and publications and make information system changes. This implementation will be included in the annual tax year changes.

This bill will have a low impact on Tax & Rev’s Information Technology Division (ITD) requiring approximately 220 hours or about one and a half months at a staff workload cost of \$14,661.

Estimated Additional Operating Budget Impact*				R or NR**	Fund(s) or Agency Affected
FY2025	FY2026	FY2027	3 Year		

<sup>1</sup> The Permanente Journal, Adverse Childhood Experiences and Psychosocial Well-Being of Women Who Were in Foster Care as Children, <https://pmc.ncbi.nlm.nih.gov/articles/PMC3783064/>

<sup>2</sup> <https://www.cdc.gov/aces/about/index.html>

<sup>3</sup> Child Abuse Neglect, The trajectory of PTSD among youth in foster care: A survival analysis examining maltreatment experiences prior to entry into care, 2021 Mar 12

<sup>4</sup> <https://jlc.org/news/what-foster-care-prison-pipeline>

<sup>5</sup> American Journal of Public Health, Homelessness During the Transition From Foster Care to Adulthood, Vol 103, No. S2

<sup>6</sup> Nieto, Stephanie, "The Cost of Being Poor: Entering Foster Care and Losing Hope" (2019). Petersheim Academic Exposition. 73.

<sup>7</sup> Child Maltreatment. Pregnancy and Childbearing among Young Adults who Experienced Foster Care, 2017 Oct 5;23(2):166–174

<sup>8</sup> <https://www.cyfd.nm.gov/family-services/fostering-connections/>

			<b>Total Cost</b>		
--	\$14.6	--	\$14.6	NR	ITD – Staff workload

\* In thousands of dollars. Parentheses ( ) indicate a cost saving. \*\* Recurring (R) or Non-Recurring (NR).