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LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS
57th Legislature, 1st Session, 2025

Bill Number	<u>SB167/aSRC</u>	Sponsor	<u>Padilla</u>
Tracking Number	<u>.229674.3SA</u>	Committee Referrals	<u>SRC/SEC/SFC</u>
Short Title	<u>Early Childhood Trust Fund</u>		
Analyst	<u>Estupiñan</u>	Original Date	<u>2/17/2025</u>
		Last Updated	<u>2/26/2025</u>

BILL SUMMARY

Synopsis of SRC Amendment

The Senate Rules Committee Amendment to Senate Bill 167 (SB167/aSRC) adds language permitting the use of money from the early childhood program fund for costs associated with administering prenatal programs and services as well as early childhood programs and services for children until they are eligible for kindergarten.

Synopsis of Bill

Senate Bill 167 (SB167) would amend Section 9-29A-1 NMSA 1978 to increase the minimum annual distributions from the early childhood education and care fund from \$250 million to \$500 million.

The bill would also do the following, upon the ratification of the proposed constitutional amendment introduced by Senate Joint Resolution 6 (SJR6):

- Amend statute to rename the early childhood education and care fund to the early childhood trust fund;
- Require consultation with the Early Childhood Education and Care Department (ECECD) for investments from the fund; and
- Clarify the fund may only be used for “prenatal programs and services and for early childhood programs and services for children until they are eligible for kindergarten.”

As this is a constitutional amendment, its adoption is subject to voter approval at the next general election or special election prior to the date of the next general election.

FISCAL IMPACT

SB167/aSRC does not contain an appropriation.

Legislative Finance Committee (LFC) staff notes that limiting eligible appropriation for the early childhood trust fund to “prenatal programs and services and for early childhood programs and services for children until they are eligible for kindergarten” would result in appropriations from the fund for ECECD operations, marketing, indirect services, and transfers to Medicaid authorized by previous Legislatures being ineligible for these revenues. LFC staff estimates these provisions of SB167/aSRC may result in \$33.9 million to \$48.9 million in trust fund revenue that would need to be replaced by general fund revenues.

LFC staff also notes concerns with the proposed language that would divert revenue in specific ways as it would reduce the capacity of the legislature to establish spending priorities.

SB167/aSRC would increase the distribution from the early childhood trust fund from the \$299 million currently projected by the consensus revenue forecasts for fiscal year 2026 (FY26) to \$500 million.

Early Childhood Trust Fund Forecast - December 2024

(in millions)

Calendar Year	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Beginning Balance	\$300.0	\$314.1	\$3,462.0	\$5,721.2	\$8,752.0	\$9,636.1	\$10,581.8	\$11,198.0	\$11,678.0
Gains & Losses	\$34.1	(\$6.4)	\$336.1	\$286.1	\$437.6	\$481.8	\$529.1	\$559.9	\$583.9
Excess Federal Mineral Leasing	\$0.0	\$1,501.5	\$2,073.0	\$1,179.8	\$745.4	\$483.1	\$287.6	\$251.4	\$319.9
Excess OGAS School Tax*	\$0.0	\$1,682.80	\$0.0	\$1,815.0	\$0.0	\$382.6	\$282.3	\$192.3	\$218.2
Distribution to ECE Program Fund	(\$20.0)	(\$30.0)	(\$150.0)	(\$250.0)	(\$298.9)	(\$401.8)	(\$482.8)	(\$523.6)	(\$557.6)
Ending Balance	\$314.1	\$3,462.0	\$5,721.2	\$8,752.0	\$9,636.1	\$10,581.8	\$11,198.0	\$11,678.0	\$12,242.3
*Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period, and distributions occur for prior fiscal year in January of the following calendar year.									
Note: Investment return assumed at 4% and distributions occur on July 1, based on previous calendar year-ending balance.									
	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29
Distribution to ECE Program Fund	\$0.00	\$20.00	\$30.00	\$150.00	\$250.00	\$298.92	\$401.82	\$482.83	\$523.60

Source: LFC Files

The House Appropriations and Finance Committee Substitute for House Bills 2 and 3 (HB2/HAFCS) includes funding for rate increases and services in the family, infant and toddler program, provider rate increases for maternal and child health, birthing doulas and lactation counselor services, and Medicaid home visiting.

Section 1-16-4 NMSA 1978 requires the Secretary of State (SOS) to print the full text of each proposed constitutional amendment, in Spanish and English, in an amount equal to 10 percent of the registered voters in the state. The cost of producing the voter guide will change depending upon the number and length of the constitutional amendments passed and the number of registered voters. The SOS is also constitutionally required to publish the full text of each proposed constitutional amendment once a week for four weeks preceding the election in newspapers in every county in the state. Again, the publishing cost will vary based on the length of the ballot question. For reference, the SOS published three constitutional amendments and three bond questions for approximately \$404 thousand in 2022.

SUBSTANTIVE ISSUES

Early Childhood Trust Fund. The early childhood education and care fund was established on July 1, 2020, with an initial infusion of \$300 million. Statute requires oil and gas emergency school tax revenue in excess of the five-year average be deposited in the early childhood education and care fund if general fund reserves exceed 25 percent of recurring appropriations. Additionally,

statute requires federal mineral leasing payments in excess of the five-year average also be deposited in the early childhood education and care fund.

Statute mandates a minimum distribution of \$20 million be made to the early childhood education and care program fund in FY22, \$30 million in FY23, \$150 million in FY24, and \$250 million in FY25 and subsequent fiscal years.

Distributions. The table below shows the State Investment Council’s (SIC) long-term estimated impact of SB167 on distributions from the early childhood trust fund, with an assumed annual rate of return of 5 percent. In this scenario, there could be a flattening effect on the fiscal impact of the bill as the assumed rate of return of five percent is equal to the five percent distribution from the trust fund. This flattening effect can only be rectified if the rate of return exceeds the annual distribution from the trust fund.

Trust Fund Market Value				Distributions to Program Fund			
Calendar Year	Current	Proposed	Difference	Fiscal year	Current	Proposed	Difference
2020	\$ 306.1	\$ 306.1	\$ -	FY20			\$ -
2021	\$ 314.1	\$ 314.1	\$ -	FY21			\$ -
2022	\$ 3,462.0	\$ 3,462.0	\$ -	FY22	\$ 20.0	\$ 20.0	\$ -
2023	\$ 5,721.2	\$ 5,721.2	\$ -	FY23	\$ 30.0	\$ 30.0	\$ -
2024	\$ 9,015.8	\$ 9,015.8	\$ -	FY24	\$ 150.0	\$ 150.0	\$ -
2025	\$ 9,918.0	\$ 9,721.3	\$ (196.7)	FY25	\$ 250.0	\$ 250.0	\$ -
2026	\$ 10,893.8	\$ 10,598.2	\$ (295.6)	FY26	\$ 303.3	\$ 500.0	\$ 196.7
2027	\$ 11,529.0	\$ 11,215.8	\$ (313.3)	FY27	\$ 410.9	\$ 500.0	\$ 89.1
2028	\$ 12,022.9	\$ 11,707.4	\$ (315.5)	FY28	\$ 497.1	\$ 500.0	\$ 2.9
2029	\$ 12,603.0	\$ 12,287.1	\$ (315.9)	FY29	\$ 539.0	\$ 525.6	\$ (13.4)
2030	\$ 12,920.4	\$ 12,604.5	\$ (315.9)	FY30	\$ 574.1	\$ 558.7	\$ (15.4)
2031	\$ 13,199.2	\$ 12,883.3	\$ (315.9)	FY31	\$ 602.6	\$ 586.8	\$ (15.7)
2032	\$ 13,432.7	\$ 13,116.8	\$ (315.9)	FY32	\$ 625.8	\$ 610.0	\$ (15.8)
2033	\$ 13,580.5	\$ 13,264.6	\$ (315.9)	FY33	\$ 645.4	\$ 629.6	\$ (15.8)
2034	\$ 13,648.2	\$ 13,332.2	\$ (315.9)	FY34	\$ 659.2	\$ 643.4	\$ (15.8)
2035	\$ 13,668.5	\$ 13,352.5	\$ (315.9)	FY35	\$ 670.2	\$ 654.4	\$ (15.8)
2036	\$ 13,670.3	\$ 13,354.4	\$ (315.9)	FY36	\$ 677.7	\$ 661.9	\$ (15.8)
2037	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY37	\$ 681.6	\$ 665.8	\$ (15.8)
2038	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY38	\$ 683.1	\$ 667.3	\$ (15.8)
2039	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY39	\$ 683.5	\$ 667.7	\$ (15.8)
2040	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY40	\$ 683.5	\$ 667.7	\$ (15.8)
2041	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY41	\$ 683.5	\$ 667.7	\$ (15.8)
2042	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY42	\$ 683.5	\$ 667.7	\$ (15.8)
2043	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY43	\$ 683.5	\$ 667.7	\$ (15.8)
2044	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY44	\$ 683.5	\$ 667.7	\$ (15.8)
2045	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY45	\$ 683.5	\$ 667.7	\$ (15.8)
2046	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY46	\$ 683.5	\$ 667.7	\$ (15.8)
2047	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY47	\$ 683.5	\$ 667.7	\$ (15.8)
2048	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY48	\$ 683.5	\$ 667.7	\$ (15.8)
2049	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY49	\$ 683.5	\$ 667.7	\$ (15.8)
2050	\$ 13,670.7	\$ 13,354.8	\$ (315.9)	FY50	\$ 683.5	\$ 667.7	\$ (15.8)

Source: SIC

ADMINISTRATIVE IMPLICATIONS

SIC notes it is unclear whether it would have to create new accounting mechanisms to transfer assets from an old account to a new account, or if the fund could just be renamed for SIC's accounting purposes.

RELATED BILLS

- Relates to SJR6, Early Childhood Trust Fund, CA, which would amend Article 20 of the state constitution to establish the "early childhood trust fund" as a permanent trust within the state treasury.

SOURCES OF INFORMATION

- LESC Files
- Legislative Finance Committee (LFC) Files
- State Investment Council (SIC)

DE/clh/mca/jkh