

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Senate Rules Committee</u>	<b>LAST UPDATED</b> <u>3/6/2025</u>	<b>ORIGINAL DATE</b> <u>3/3/2025</u>
<b>SHORT TITLE</b> <u>CYFD Secretary Nominating Committee</u>	<b>BILL NUMBER</b> <u>CS/Senate Bill 458/SRCS</u>	<b>ANALYST</b> <u>Garcia/Hernandez</u>

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

Agency/Program	FY25	FY26	FY27	FY28	FY29	5 Year Total Cost (Savings)	Recurring or Nonrecurring	Fund Affected
Prevention Services Costs (CYFD)	**	**	**	Up to \$8,800.0	Up to \$8,800.0	\$17,600.0	Recurring	General Fund and Title IV-E
Foster Care Program Savings from Prevention (CYFD)	No fiscal impact	No fiscal impact	No fiscal impact	Up to (\$2,000.0)	Up to (\$2,000.0)	(\$4,000)	Recurring	General Fund and Title IV-E
Multilevel Response Costs (CYFD)	**	**	**	\$800	\$800	\$1,600	Recurring	General Fund
Multilevel Response Savings (CYFD)	No fiscal impact	No fiscal impact	No fiscal impact	Up to (\$10,800.0)	Up to (\$10,800.0)	Up (\$21,600.0)	Recurring	General Fund and Title IV-E
<b>Net Total</b>	No fiscal impact	No fiscal impact	No fiscal impact	(\$3,200)	(\$3,200)	(\$6,400)	Recurring	General Fund and Title IV-E

Parenteses ( ) indicate expenditure decreases. See fiscal impact section for further analysis.

\*Amounts reflect most recent analysis of this legislation.

\*\*GRO funding appropriated in 2024 session should cover the cost

Relates to an appropriation in the General Appropriation Act  
 Duplicates sections of House Bill 205

### Sources of Information

- LFC Files
- Child Welfare Information Gateway
- Congressional Budget Office
- Pew Results First Model
- Washington State Institute for Public Policy
- Kempe Center for the Prevention and Treatment of Child Abuse and Neglect, University of Colorado Medical Center
- National Conference of State Legislatures
- U.S. Administration for Children and Families

### Agency Analysis Received From

- Administrative Office of the Courts (AOC)
- New Mexico Attorney General (NMAG)
- Health Care Authority (HCA)
- Department of Health (DOH)

Agency Analysis Received on the Similar House Bill 205  
Children, Youth and Families Department (CYFD)  
Regulation and Licensing Department (RLD)  
Early Childhood Care and Education Department (ECECD)

## SUMMARY

### Synopsis of SRC Substitute for Senate Bill 458

The Senate Rules Committee substitute for Senate Bill 458 (SB458) would codify requirements under the federal Family First Prevention Services Act (FFPSA), directing the Children, Youth and Families Department (CYFD) to implement evidence-based prevention services eligible for federal reimbursement. The bill outlines the following timelines related to implementing the state's FFPSA plan:

- By August 1, 2025, CYFD must finalize and post online the state's strategic federal FFPSA plan.
- By September 1, 2025, CYFD must submit the state's plan to the federal Administration for Children and Families.
- By July 1, 2026, and each July 1 thereafter, CYFD must post the annual report.
- By June 30, 2027, CYFD must provide Families First prevention services through a pilot program.
- By August 1, 2027, CYFD must adopt rules to carry out the act.
- By June 30, 2032, CYFD must plan for statewide implementation of services, informed by pilot results.

The bill would update the state's multi-level response statute to remove language regarding piloting the statute and requiring statewide implementation.

The effective date of this bill is July 1, 2025.

## FISCAL IMPLICATIONS

The bill does not make an appropriation, though the bill relates to appropriations in the 2024 General Appropriation Act and the LFC recommendation for the 2025 General Appropriation Act.

### Families First Prevention Services

Because SB458 mirrors the requirements of the federal Family First Prevention Services Act (FFPSA) and directs CYFD to implement evidence-based services identified by the federal government, it is likely to result in similar savings. In 2016, the Congressional Budget Office fiscal note for the estimated FFPSA would, on net, reduce direct federal spending by \$66 million within the first decade of implementation. New Mexico may also reasonably predict net savings because of implementing these services if the state implements program models with fidelity.

The federal government allows states to be reimbursed for eligible prevention services at the state's Medicaid match (FMAP) rate, which is roughly 77 percent in New Mexico, if that state has an approved FFPSA plan in place. While CYFD would need to determine the actual services

included in the FFPSA plan, the analysis below includes cost estimates for two programs eligible for federal Title IV-E (foster care) reimbursement that CYFD could choose to implement: Homebuilders, an intensive in-home family preservation program, and SafeCare, a home visiting program proven to improve parenting skills and reduce child abuse and neglect. These two sample programs have different average per-client costs used to assume potential costs. The per-client cost to implement evidence-based programs in New Mexico could be higher than the average estimates, given the rurality of the state.

The federal FFPSA requires states to deliver services to children and families at risk of foster care involvement but allows states to define eligibility broadly. The number of children who ultimately receive services in New Mexico would depend on how CYFD defines the eligible population in the state’s plan. States that appear to be taking greater advantage of federal Title IV-E prevention services funding and serving larger numbers of children, including Oklahoma, Kentucky, Indiana, and the District of Columbia, which each serve between 0.1 percent and 0.4 percent of the state’s total child population. However, the demographics of these states vary considerably, as do rates of child maltreatment. Given the state’s high rate of child maltreatment, New Mexico could potentially serve a larger share of its child population. If New Mexico were to serve 0.5 percent of the state’s total child population, the state could assume costs of at least \$8.8 million annually to serve roughly 2,200 children, assuming the average cost to implement Homebuilders, with a potential general fund of impact upwards of \$2.5 million annually.

	Average Cost per Client	Benefit to Cost Ratio	Cost to Implement to 0.5% of NM's Child Population	Assumed Federal Title IV-E Reimbursement	Assumed General Fund Impact
SafeCare	\$226	\$24.05	\$510,022	\$367,216	\$142,806
Intensive Family Preservation Services (Homebuilders)	\$3,913	\$5.14	\$8,830,604	\$6,358,035	\$2,472,569

Source: LFC Analysis

New Mexico is currently implementing a very limited number of programs eligible for Title IV-E prevention funding reimbursement, meaning CYFD would likely need to invest in capacity building, start-up costs, and implementation support for programs included in its FFPSA plan. The bill would allow CYFD to pilot programs included in its FFPSA plan through FY27, and the General Appropriation Act of 2024 included \$3 million in general fund appropriations annually in fiscal years 2025 through 2027 for CYFD to pilot and evaluate evidence-based prevention programs that could be used for start-up costs.

If the state implements programs eligible for federal FFPSA funding, New Mexico should experience significant cost savings. For example, the Washington State Institute for Public Policy estimates a state can experience a savings of \$24 for every \$1 invested in SafeCare or a savings of \$5 for every \$1 invested in Homebuilders. According to LFC analysis, evidence-based home visiting programs may result in a reduction in child maltreatment rates ranging between 1 and 3 percent, depending on the model selected.

FFPSA programs may reduce the utilization of New Mexico’s foster care system. The federal Administration for Children and Families attributed an 18 percent reduction in foster care utilization between 2018 and 2023 nationally in part to state implementation of the federal Family First Prevention Services Act. Assuming an estimated cost of \$21 thousand per year for a

foster care placement, if New Mexico were to reduce entries into foster care by between 1 and 10 percent by implementing evidence-based prevention programs, CYFD could experience savings between \$205 thousand and \$2 million annually. However, total potential savings and benefits are likely much greater, since this estimate only includes foster care cost savings. This estimate does not account for cost savings and benefits to the individual and society included in the ROI estimates in the table above beyond direct foster care involvement, such as increased individual earnings, reductions in health care utilization, and involvement with the criminal justice system.

### **Multilevel or Differential Response**

The bill amends the enactment of Laws 2019, Chapter 137, which created within the Children’s Code a multilevel, or differential, response system for child abuse and neglect cases in three key areas.

The bill also strikes language that allowed CYFD to implement a pilot program of multilevel response and instead directs CYFD to implement a full multilevel response system as currently articulated in statute statewide by July 1, 2027.

The existing multilevel response statute (Section 32A-4-4.1 NMSA 1978) requires CYFD report on the implementation and outcomes of a multilevel response system to LFC and Department of Finance and Administration (DFA) annually with the agency’s budget submission. SB458 updates the recipients of the annual report to the interim Legislative Health and Human Services Committee and the interim Courts, Corrections, and Justice Committee.

LFC fiscal impact report analysis from Laws 2019, Chapter 137 indicated “an alternative response pathway to improve outcomes for at-risk families may result in a return on investment of up to \$15.64 for every \$1 spent per participant.” Further analysis found that “alternative response [is estimated] to cost \$98 per family; [while] current family support service program costs approximately \$2,000 per family” and that “long term costs are reduced because fewer children are brought into the child welfare system.” Moreover, a study completed in Minnesota estimating the costs of implementing differential response found that “a decreased cost incurred over three to five years for differential response families of \$1,279 compared to the control group.”

LFC analysis suggests the state may experience cost-savings ranging from \$4.9 million to \$10.8 million because of implementing a multilevel response system, if implemented with fidelity to evidence-based models. National data demonstrates that 14 percent of cases screened by child protective service agencies use differential response. In 2022, CYFD accepted 20 thousand reported cases of abuse or neglect in 2022. If New Mexico were to refer 14 percent of 20 thousand to an alternative response, instead of an investigation, roughly 2,800 cases would receive an alternative response. Projected costs from an alternative response range between \$98 and \$286 per family, according to previous LFC reports and the Washington State Institute for Public Policy. Meanwhile, LFC estimates a child welfare investigation costs New Mexico roughly \$1,000. If New Mexico were to divert roughly 2,800 cases to an alternative response, the state could bear \$274 thousand and \$800 thousand in referral costs annually, while reducing investigation costs by roughly \$2.8 million, resulting in a potential net savings of up to \$2 million annually.

In addition to the \$2 million in savings from shifting cases from investigation to alternative

response, a 2023 study published in *Child Maltreatment* suggested states that have implemented an alternative response model experience roughly a 17 percent reduction in foster care placement. According to previous LFC reports, the annual cost of a child in foster care is estimated at \$21 thousand. If New Mexico were to experience a reduction in foster care placement between 5 and 15 percent, the state could experience a savings of roughly \$2.9 million to \$8.8 million.

If New Mexico were to implement multilevel response, the state could see a total costs savings of upwards of \$10.8 million annually. However, these estimates would require the state to implement multilevel response with fidelity to evidence-based models and at a cost roughly close to nationally reported averages. CYFD would likely assume start-up costs associated with differential response over the next three years but should begin to experience savings in outyears.

Potential Alternative Response Savings	Assumed Cost (in thousands)	Assumed Federal Reimbursement	Assumed Potential General Fund Impact
Savings on investigations and implementing differential response	(\$2,000.00)		(\$2,000.00)
Savings from reduced foster care placements	(\$2,900 - \$8,800)	(\$2,200- \$6,676)	(\$667 -\$2,024)
<b>Total</b>	<b>(\$4,900-\$10,800)</b>	<b>(\$2,200- \$6,676)</b>	<b>(\$2,667-\$4,024)</b>

The General Appropriation Act of 2024 provided \$1.4 million in general fund appropriations annually in FY25 through FY27 to pilot and evaluate the implementation of differential through the government results and opportunity (GRO) fund.

## SIGNIFICANT ISSUES

### Families First Prevention Services

The federal Bipartisan Budget Act of 2018 (Public Law 115-123) included the Family First Prevention Services Act (FFPSA), which amended the federal Title IV-E foster care program to allow states to seek federal reimbursement if delivering specific support services for children and families to prevent entrances into foster care. The law specifies eligible populations include those “who are candidates for child welfare but can safely remain at home” and allows states to define who is “a candidate for foster care” within certain parameters. To be eligible for federal funding, states must submit a detailed plan to the federal Administration for Children and Families for approval. In addition, the FFPSA requires states implement evidence-based programs proven through rigorous research to have positive child welfare programs; the federal government maintains a list of these services within the federal Title IV-E prevention services clearinghouse. To be eligible for federal funding, these services must be rated as “well-supported,” “supported,” or “promising” in the federal Title IV-E prevention services clearinghouse.

This section of SB458 is similar to legislation implemented in other states following the federal FFPSA, including Texas, Colorado, and Maine.

The bill requires CYFD to develop and implement a strategic plan, subject to the approval of the federal Administration for Children and Families, to provide evidence-based prevention services

for children and families at imminent-risk of foster care involvement. Services articulated in the plan must meet the requirements of the federal FFPSA.

The bill requires CYFD's plan to articulate service eligibility according to federal definitions, and CYFD must outline policies and procedures to monitor the safety of children receiving services, as required by the federal FFPSA.

In addition, the bill requires CYFD to establish performance outcome measures associated with implementing evidence-based prevention services, including subsequent substantiated reports of maltreatment and entrances into foster care.

The bill directs CYFD to monitor and evaluate program implementation and to publish an annual report, to be provided to LFC, the Legislative Health and Human Services Committee (LHHS), and the governor that includes an inventory of all services available, data about service uptake and completion, and program outcomes, including data about subsequent entrances into foster care among service recipients, and program expenditure information.

Finally, the bill amends an existing section of the children's code to add the provision of evidence-based services articulated in the federal FFPSA to the responsibilities of CYFD, and the bill adds language to section of the existing children's code which requires CYFD to provide a description of the services offered to a child, child's family and the child's foster care family in abuse and neglect predisposition studies. The added language notes the services offered may include families first prevention services or referrals to income support or other services as appropriate and available.

CYFD has submitted multiple draft plans to the federal Administration for Children and Families but is one of only four states to have a plan unapproved. To date, 47 states and tribal governments have approved plans. Without an approved plan, New Mexico is missing out on federal revenue that could be used to implement evidence-based prevention and early intervention programs. For FY25, the General Appropriation Act of 2024 provided a special appropriation of \$200 thousand to CYFD to pay for technical assistance in revising and resubmitting the state's prevention program plan and to ensure the maximum draw down of federal funds within Protective Services. CYFD received technical assistance through Casey Family Programs, supported philanthropically, and has not used the special appropriation to date.

CYFD notes in analysis of the similar House Bill 205:

CYFD has submitted their Family First Prevention Services Act (FFPSA) Title IV-E Prevention Plan for federal approval. The plan identifies a continuum of prevention services to support families. Each program utilizes evidence-based or evidence-informed programming. These programs are not in the Title IV-E clearinghouse at this time, however that does not mean they will not be in the future.

CYFD also reports the bill would require CYFD to exclusively deliver prevention programs listed in the Family First Prevention Services Act Clearinghouse, and CYFD currently implements a variety of culturally appropriate programs and potentially use curriculums not aligned with nations, pueblos, and tribes. However, the bill does not prohibit CYFD from implementing other programs, and CYFD is currently implementing a variety of programs that are not evidence-based.

The Early Childhood Education and Care Department, on the similar House Bill 205, indicates inclusion in the federal Family First Prevention Services Act should not equate to a mandatory program:

Relating to the proposed Families First Act, home visiting programs may qualify as a family first service, but it is important to emphasize that participation in these services should not be mandated or required. Home visiting's foundational values focus on a philosophy of support and respecting family autonomy, ensuring they have the right to decline services.

## **Multilevel/Alternative Response**

An alternative or multilevel response model provides child welfare systems with an alternative to traditional investigations. In an alternative response to a lower-risk case, protective services workers conduct an assessment of a family's needs, connect the family to resources or in-home services if appropriate, and continue to monitor the family directly and consistently. According to the Kempe Center at the University of Colorado, states that use alternative responses do so for low-to moderate-risk accepted reports, with an approach that focuses on partnering with families to provide services that meet their needs, while removing the need for determination or substantiation of abuse and neglect.

In 2019, New Mexico enacted legislation to create a multilevel or alternative response model. In a traditional alternative response model, reports of maltreatment are split into two tracks: investigation and family assessment. Existing statute (Section 32A-4-4.1 NMSA 1978) requires a family assessment to include an assessment of:

1. Imminent danger to a child's well-being;
2. the child becoming an abused or neglected child;
3. the strengths and needs of the child's family members, relatives, and caregivers, with respect to providing for the health and safety of a child.

Existing statute articulates the state shall not conduct a family assessment in the event of immediate concern for a child's safety, and an investigation shall be conducted for specific types of suspected abuse or neglect. Existing statute also notes the department may remove a case from the multilevel response system and conduct an investigation if imminent danger of serious harm to a child become evident.

CYFD has not implemented the program in an evidence-based way as required by statute. Instead, CYFD has been implementing a pilot model of alternative response that refers some families for external services and only serves families who are screened out for investigation.

In 2024, the Legislature appropriated \$4.2 million through the government results and opportunity fund to pilot and evaluate implementation of differential response over three years, in accordance with statute. CYFD is now receiving technical assistance from Casey Family Programs to prepare to expand alternative response statewide and to deliver the approach to low-to medium-risk cases, as research recommends. CYFD's analysis does not include a timeline for implementation.

The existing multilevel response statute requires CYFD to submit an annual report about the implementation of the multilevel response system, including outcomes, to LFC and the DFA annually as part of the agency's budget submission. CYFD has not submitted the statutorily

required report in at least the last two years. The bill would expand the required annual recipients to include additional interim legislative committees, which may increase oversight and accountability associated with this requirement.

## PERFORMANCE IMPLICATIONS

CYFD notes on HB205 the need for additional FTE should the bill be implemented.

## ADMINISTRATIVE IMPLICATIONS

OFRA notes the provisions of the bill would likely result in significant training needs across departments.

## CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 458 duplicates much of House Bill 2025, as introduced. The Senate Rules Committee struck three sections of the bill but maintains duplicative sections related to Family First Prevention Services and Multilevel Response.

The LFC recommendation for the General Appropriation Act contains the following appropriations that may fund components of the policies proposed in this bill:

- \$7.7 million to the CYFD to match federal Title-IV E prevention revenue in the agency’s recurring operating budget.

The 2024 General Appropriation Act included the following government results and opportunity Fund appropriations that may fund the implementation of portions of this bill:

- \$4.2 million to CYFD to pilot and evaluate the implementation of multilevel response, in alignment with statute;
- \$9 million to pilot and evaluate evidence-based prevention and intervention programs, eligible for federal Title IV-E funding.

## TECHNICAL ISSUES

HCA proposes amendments to existing statute not included in this bill to use the term “substance use disorder” rather than “substance abuse.” However, some of the language related to “substance abuse” references and mirrors specific language in federal law, including the programs eligible for federal Family First Prevention Services.

RMG/AH/hj/hg