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FISCAL IMPACT REPORT

		LAST UPDATED	2/13/25
SPONSOR	Senate Finance Committee	**ORIGINAL DATE**	1/26/25
SHORT TITLE	Public Health & Safety Initiatives	**BILL NUMBER**	CS/Senate Bill 2/SFCS
		ANALYST	Hernandez/Chenier

APPROPRIATION*
(dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
$200,000		Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
HCA	**No fiscal impact**	**$766.2**	**$766.2**	**$1,532.4**	Recurring	**General Fund**

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 3.

Sources of Information

LFC Files

<u>Agency Analysis Received From</u>
Health Care Authority (HCA)
Corrections Department (NMCD)
Department of Public Safety (DPS)
Department of Health (DOH)
University of New Mexico (UNM)
Administrative Office of the Courts (AOC)

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from the Public Education Department. Additionally, no agency had time to comment on the committee substitute. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of Senate Bill 2

Senate Bill 2 (SB2) appropriates $140 million from the general fund to the Administrative Office of the Courts, the Health Care Authority, the Corrections Department, the Department of Public Safety, the University of New Mexico, the Department of Health, and the Department of Finance

and Administration for the purpose of providing appropriations linked to the activities in the propose Behavioral Health Reform and Investment Act (Senate Bill 3). The bill contains 13 distinct appropriations. Eight of the 13 appropriations give state agencies the ability to provide grants to local and tribal entities. The remaining five appropriations focus on sequential intercept resource mapping detailing how individuals come into contact and move through the criminal justice system, education and outreach within behavioral health regions, mobile health units and medication-assisted treatment, and an expansion of housing service providers.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025. However, the effective date for sections 1-10, 14-16, and 20-23 is contingent upon passage of Senate Bill 3.

FISCAL IMPLICATIONS

Difference Between SB2 and LFC Recommendation

Section of SB2	Agency Appropriated To	Appropriation in SB2 SFC Sub (thousands)	Amount in LFC introduced Version of the GAA	Purpose
1	AOC	$1,700.0	$1,700.0	Sequential intercept resource mapping statewide
2	AOC	$7,000.0	$7,000.0	Grants for treatment courts and associated programs
3	HCA	$10,000.0	$10,000.0	Grants for medication-assisted treatment
4	HCA	$43,000.0	$43,000.0	Grants for certified community behavioral health clinics
5	HCA	$7,500.0	$7,500.0	Grants for twenty-four-hour crisis response facilities
6	NMCD	$1,300.0	$1,300.0	Grants for transitional services covered by Medicaid
7	DPS/HCA	$5,000.0	$5,000.0	Grants for regional mobile crisis response
8	HCA	$11,500.0	$11,500.0	Grants for regional mobile crisis and recovery response
9	HCA	$1,000.0	$0.0	Education and outreach within behavioral health regions
10	DPS	$2,000.0	$2,000.0	Grants for community and intercept resources training
11	UNM	$1,000.0	$2,000.0	Mobile health units and medication-assisted treatment
12	DOH	$1,000.0	$0.0	Mobile health units and medication-assisted treatment
13	DFA	$48,000.0	$50,000.0	Expansion of housing services providers
14	HCA	$3,000.0	$0.0	988 and 911 Coordination
15	HCA	$9,000.0	$0.0	Behavioral health patient navigation
16	LFC	$1,000.0	$0.0	Behavioral health audits and evaluation
17	DOH	$9,000.0	$0.0	Suicide prevention and youth behavioral health
18	PED	$6,000.0	$0.0	Suicide prevention and youth behavioral health
19	UNM	$1,800.0	$0.0	Project Echo behavioral health modules and training
20	HCA	$200.0	$0.0	Coordination and planning for SB3
21	HCA	$10,000.0	$0.0	Certified peer support to implement Section 9 for FY26
22	HCA	$10,000.0	$0.0	Certified peer support to implement Section 9 for FY27
23	HCA	$10,000.0	$0.0	Certified peer support to implement Section 9 for FY28
	Total	**$200,000.0**	**$141,000.0**	

The appropriation of $200 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY25 shall not revert to the general fund. Although Senate Bill 2 does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring.

The Health Care Authority (HCA) states it would need a minimum of seven full-time at a cost of $766.2 thousand from the general fund annually for salary and benefits. These employees would include five social community service coordinators, one financial analyst, and one economist supervisor.

Additionally, the HCA raised concerns about the inability to leverage federal Medicaid dollars:

> The bill does not optimize, leverage, or reinforce coordination with the Medicaid program as the primary payor of behavioral health services for New Mexicans, foregoing millions in federal matching funds and risking greater service fragmentation. The proposed framework does not fully consider the crucial opportunity of Medicaid in drawing down $3.40 for each general fund dollar spent. To do this, services must be evidence-based, documented, and correctly billed by an enrolled provider. The HCA suggests language in the bill to clarify whether this would be an expectation of the funded regional plans.
>
> The listed agencies may not be able to efficiently maximize federal monies available through [the federal Centers for Medicare and Medicaid Services] or the state general fund dollars for indigent care assigned to [the Behavioral Health Services Division (BHSD)] leading to delays in funding or implementation of programs due to administrative issues. To realize federal Medicaid dollars with another agency, that agency works with Medicaid each time there is a change to service coverage, details, rates and beyond in addition to the fiscal transfers needed; this can create a burden on two agencies (or more) versus with the HCA that covers this today.
>
> New Mexico Medicaid is the largest payor of behavioral health services wherein the balance of coverage is through the indigent pool (including individuals that do not qualify for Medicaid) overseen by BHSD using the provider network. Creating different pools of funding sources may lead to additional burdens on providers and duplication of programs and funding streams. This would increase the administrative work on providers that will impact their ability to treat additional New Mexicans."

The Administrative Office of the Courts (AOC) also identified additional staffing needs. The second type of grant funding allocated to AOC in Section 2 specifies the grants are distributed based on regional plans for specialty, diversion, problem-solving, and treatment courts and associated programs and pretrial services. …There are concerns about the capacity to write grants within the judiciary. AOC indicates the judicial districts likely would need to hire contractors or additional staff to fulfill their obligations.

SIGNIFICANT ISSUES

Section 2 specifies the Administrative Office of the Courts will receive $7 million. The allocation is supposed to be divided into two types of grants, with the first focusing on enhancing regional case management, behavioral health grant writing, peer-operated crisis response, and recovery support services, and behavioral health and homeless outreach and engagement. Improvement in regional case management is needed because the clearance rate for court cases across the state is below 100 percent—indicating a backlog. However, it is unclear whether it is within the judiciary's purview, as well as within their capacity, to provide behavioral health grant writing, peer-operated crisis response and recovery support services, or behavioral health and homeless outreach and engagement.

Section 4 appropriates $43 million to the Health Care Authority. The allocation will provide grants to counties and municipalities based on the submitted regional plans for regional transitional acute care facilities and certified community behavioral health clinics within a municipality with a state institution of higher education. It is unclear why only municipalities with a state institution of higher education are eligible for the grants. This caveat does not allow the Health Care Authority to determine strategic locations where a high need for behavioral health clinics exist.

Moreover, Section 4 focuses on creating regional transitional acute care facilities and certified community behavioral health clinics. However, according to the Substance Abuse and Mental Health Services Administration, and backed up by a significant body of research, medication-assisted treatment (MAT) for both opioid use and alcohol use disorders is preferrable in comparison to inpatient treatment for most people. The research says that MAT generally has better retention rates compared to inpatient treatment. Patients in residential programs may drop out or fail to continue treatment after discharge, whereas MAT can provide ongoing, consistent support. Additionally, a combination of MAT and outpatient services often yields the best long-term outcomes for opioid use disorder. In the case of alcohol use disorder, inpatient treatment may be useful for initial stabilization, but long-term success typically requires ongoing outpatient care, which may or may not include MAT. Inpatient treatment can be more appropriate for individuals with severe addiction, especially those who have co-occurring psychiatric disorders or unstable living conditions. MAT, on the other hand, is often effective for individuals who can maintain some degree of daily stability but need support in managing cravings and withdrawal. This raises concerns about the efficacy of such regional transitional acute care facilities and certified community behavioral health clinics.

The Health Care Authority identified several significant issues regarding the fragmentation of the state's behavioral health system:

> As written, this bill and its companion would fragment the behavioral health system with funding and oversight accountability allocated to multiple agencies.
>
> The bill and companion bill appears to completely restructure the state's behavioral health delivery system, transferring control and funding to the courts and local governments with few guardrails. As New Mexico's Single State Authority, the Health Care Authority Behavioral Health Services Division oversees the adult behavioral health system, including programming, funding for patient services, and rulemaking. A state's single state behavioral health authority plays a crucial role in the mental health and substance use treatment landscape, wielding significant influence and responsibility within the state and are designated to give behavioral health providers a single source of guidance and expertise.
>
> Recognized by the federal government, these authorities are designated to oversee and coordinate behavioral health services within a state. This recognition allows them to access federal funding, grants, and technical assistance crucial for supporting mental health and substance use programs within their state. Single State Authorities are responsible for a variety of critical functions designed to promote behavioral health access and quality for residents.
>
> The Behavioral Health Services Division has subject matter expertise to provide guidance

> and accountability for the network. The Behavioral Health Services Division together with the Medical Assistance Division within the Health Care Authority team ensure that managed care organizations and providers are accountable to New Mexicans whereas other agencies listed in the bill have neither this infrastructure (e.g. provider network, care coordination) nor federal authority.
>
> As written, this bill would further dilute the accountability of services provided by clinicians and timeliness of payments by managed care organizations. It could be that the bill is intended to increase access to behavioral health care across New Mexico as well as address the transportation requirements for mobile crisis teams and crisis response services statewide. Additionally, many of the provisions listed in this bill would require significant changes to New Mexico Administrative Code, the overall structure of service delivery, and billing procedures. Another potential fragmentation is the progress made on integrated health wherein there is now further distance from primary care to behavioral health."

The Department of Public Safety notes that:

> The New Mexico State Police (NMSP) is creating a new Crisis Intervention Response Team (CIRT) that will be staffed by current commissioned officers trained to respond to individuals experiencing mental health crises by de-escalating situations and providing support to ensure the safety and well-being of the individuals involved, diversion from the criminal justice system whenever possible, and connect them to appropriate mental health services. As NMSP provides service and support to law enforcement agencies throughout the state, this new team will incur these expenditures outlined in two sections of SB2 to stand it up and will benefit from direct receipt.

ADMINISTRATIVE IMPLICATIONS

The Health Care Authority notes, "The Behavioral Health Services Division would need significant staff time and effort to disseminate these funds by June 30, 2026, and this may not be achievable in this timeframe. Additionally, leveraging federal Medicaid matching funds takes months of negotiation with the U.S. Centers for Medicare and Medicaid Services, and it may not be possible to leverage all possible federal dollars by June 30, 2026."

Additionally, the department reports existing Behavioral Health Services Division staff would engage in training and outreach on available housing resources, support the dissemination of the behavioral health investment request for applications because SB2 would expand the behavioral health investment zones to 16 additional providers, conduct outreach and education for tribal communities, collaborate about specialized behavioral health services, and conduct a variety of other responsibilities related to the bill.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to Senate Bill 3 (SB3), which creates the Behavioral Health Reform and Investment Act.

TECHNICAL ISSUES

SB3 contains an emergency clause, making it effective on the signature of the governor, while SB2 does not. This indicates the dollars appropriated would not be released until June 20, 2025, raising some concerns.

Section 7 and Section 8, which outline grants for regional mobile crisis responses are duplicative and could be merged into one section.

Section 4 outlines that all clinics should be in a municipality with a state institution of higher education. This needs clarification because the New Mexico constitution refers to state education institutions, which does not include community colleges. It is necessary to clarify which higher education institutions are under consideration and which are not.

Sections 16 and 21-23 reference Section 9 of Senate Bill 3 incorrectly. Section 10 should instead be referenced.

AEH/EC/rl/hg/sgs/rl/sgs