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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 3/11/2025

SPONSOR Lanier/Woods

BILL
NUMBER Senate Bill 432

SHORT TITLE Behavioral Health Grant Pgm. & Fund

ANALYST Esquibel/Gray

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$999.1	Recurring	Medicaid State Match
	\$3,536.8	Recurring	Medicaid Federal Match
	\$2,749.1	Recurring	Behavioral Health Grant Program Fund

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

REVENUE* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
HCA Medicaid earmark 2% Liquor Excise Tax		\$999.1	\$1,010.2	\$1,020.2	\$1,030.9	Recurring	Medicaid State Match
Behavioral Health Grant Prog 2% Liquor Excise Tax		\$999.1	\$1,010.2	\$1,020.2	\$1,030.9	Recurring	Behavioral Health Grant Program Fund
Net Impact Liquor Excise Tax		(\$1,998.2)	(\$2020.4)	(\$2,040.4)	(\$2,061.8)	Recurring	General Fund
5% Cannabis Excise Tax		\$1,750.0	\$1,865.0	\$1,985.0	\$2,055.0	Recurring	Behavioral Health Grant Program Fund
Cannabis Excise Tax Impact		(\$1,750.0)	(\$1,865.0)	(\$1,985.0)	(\$2,055.0)	Recurring	General Fund

Parentheses () indicate revenue 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
BHSD		\$51.6	\$51.6	\$103.2	Recurring	General Fund
DFA LGD		\$258.5	\$258.5	\$517.0	Recurring	General Fund
Total		\$310.1	\$310.1	\$620.2	Recurring	General Fund

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

Relates to House Bills 417, 460, and 329 and Senate Bills 1, 2, and 3.

Sources of Information

LFC Files

Agency Analysis Received From

Administrative Office of the Courts (AOC)

Department of Finance and Administration (DFA)

Department of Health (DOH)

Health Care Authority (HCA)

University of New Mexico Health Sciences Center (UNMHSC)

SUMMARY

Synopsis of Senate Bill 432

Senate Bill 432 (SB432) would establish the behavioral health grant program fund as a nonreverting fund in the state treasury administered by the Local Government Division (LGD) of the Department of Finance and Administration (DFA).

The bill amends 7-1-6.4 NMSA 1978 to distribute 2 percent of net liquor excise tax revenue to the behavioral health grant program fund and amends 7-1-6.68 to distribute 5 percent of net cannabis excise tax receipts to the behavioral health grant program fund.

SB432 would create the behavioral health grant program within the LGD to make grants to municipalities and counties for new or existing community-based behavioral health programs. To qualify for grants, local governments must have adopted behavioral health plans and the programs or services for which funding is sought must be consistent with the statewide behavioral health masterplan adopted by the interagency behavioral health purchasing collaborative. Grantmaking may prioritize services for children.

Finally, SB432 would distribute an additional 2 percent of net liquor excise tax revenue to the Health Care Authority to increase Medicaid reimbursement for new or existing behavioral health programs.

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

FISCAL IMPLICATIONS

The bill requires a distribution of 2 percent of the net receipts attributable to the liquor excise tax to HCA to increase Medicaid reimbursement for new or existing programs or services for the prevention, treatment, and screening of behavioral health issues. Two percent of liquor excise tax is \$999.1 thousand annually, which would generate a federal Medicaid match of \$3.5 million, for a total of \$4.5 million.

The bill would direct 2 percent of liquor excise tax and 5 percent of cannabis excise tax to the proposed behavioral health grant program fund. The net total of these two revenue sources for FY26 is \$2,749.1, from which LGD would award grants to municipalities and counties for new or existing community-based programs or services to address behavioral health issues.

The Local Government Division of DFA estimates it would require 2 FTE at a cost of \$258.5 thousand to implement the bill.

The Behavioral Health Services Division (BHSD) of HCA estimates it would require two half-time positions at a cost of \$51.6 thousand to implement the bill.

Although the bill 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.

This bill would create a new fund and in effect provides for continuing appropriations for Medicaid and the behavioral health grant program. LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds because it reduces the ability of the Legislature to establish spending priorities.

The bill diverts or “earmarks” revenue, representing a recurring loss from the general fund. LFC has concerns with including continuing distribution language in the statutory provisions for funds because earmarking reduces the ability of the Legislature to establish spending priorities.

SIGNIFICANT ISSUES

The Department of Health’s Indicator-Based Information System indicates New Mexico has 86.6 alcohol-related deaths per 100 thousand population, and 2,274 New Mexicans died as a result of alcohol use in 2021.

According to a 2023 LFC progress report, alcohol is New Mexico’s predominant substance-use problem. The state has had the highest alcohol-related death rate in the country for over a decade, and the state’s alcohol related death rate grew by 32.4 percent between 2019 and 2021.

According to a 2023 LFC progress report, McKinley, Cibola, Rio Arriba, San Juan, and Socorro counties are hotspots of alcohol-related deaths. McKinley, Cibola, Rio Arriba, San Juan, and Socorro counties had the highest alcohol-related death rates in 2021, the most recent year for which the Department of Health has reported county-level data. These five counties all had death rates that exceed 150 per 100 thousand people. Meanwhile, deaths in Bernalillo, McKinley, San Juan, Santa Fe, and Sandoval counties made-up 62 percent of all 2021 alcohol-related deaths in the state in 2021.

ADMINISTRATIVE IMPLICATIONS

HCA notes BHSD would need to collaborate with DFA’s Local Government Division around guidelines when selecting grant recipients with consideration of geographic location, per capita deaths or accidents related to behavioral health issues, needs-based assessments, population, and availability of existing services. Medicaid would require federal approval of rate changes through a State Plan Amendment. Medicaid rate changes can only be made with sustainability of ongoing state and federal funding.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 432 relates to Senate Bills 1, 2 and 3 which would create the Behavioral Health Reform and Investment Act, created a behavioral health trust fund, and appropriate general fund revenue for health and safety initiatives; Senate Bill 378, House Bill 417, and House Bill 460, concerning liquor taxes; and House Bill 329, which would create the behavioral health purchasing collaborative.

OTHER SUBSTANTIVE ISSUES

The University of New Mexico Health Sciences Center reports the bill proposes to dedicate a proportion of the net receipts of the cannabis excise tax for behavioral health treatment. Recent research associated legalization of cannabis in Canada with a nearly three-fold increase in the share of schizophrenia diagnoses attributable to cannabis use. This risk of increased psychosis suggests that there may be more need for behavioral health treatment as access to cannabis increases.

RAE/BG/hj/hg