

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

SPONSOR <u>Lord</u>	LAST UPDATED _____
	ORIGINAL DATE <u>02/23/2023</u>
SHORT TITLE <u>CYFD Reimbursement Requests</u>	BILL NUMBER <u>House Bill 324</u>
	ANALYST <u>Chilton</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
CYFD Personnel costs		\$313.0-\$506.0	\$313.0-\$506.0	\$616.0-\$1,012.0	Recurring	General Fund
New CYFD invoice processing system	\$500.0				Nonrecurring	General Fund
Total	\$500.0	\$313.0-\$506.0	\$313.0-\$506.0	\$1,116.0-\$1,5012.0	Mixed	General Fund

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

Sources of Information

LFC Files

Responses Received From

Children, Youth and Families Department (CYFD)
 Human Services Department (HSD)
 Office of the Attorney General (NMAG)

SUMMARY

Synopsis of House Bill 324

House Bill 324 makes new requirements for CYFD, adding to the enumerated “Additional Duties” of that department listed in Section 9-2A-8 NMSA 1978.

The two new requirements are

- 1) That CYFD establish a system of monitoring all requests for reimbursement, and
- 2) That CYFD pay interest at the annual rate of 8.75 percent on all reimbursement requests not paid within 30 days of CYFD receiving those requests, unless CYFD had objected in writing to the person submitting the request.

The effective date of this bill is July 1, 2023

FISCAL IMPLICATIONS

There is no appropriation in House Bill 324.

CYFD makes the following statements regarding its needs to implement the provisions of this bill:

This bill applies to all requests for reimbursement submitted to CYFD. With respect to employee travel reimbursements, the minimum annual additional fiscal impact is \$17,850 (seventeen thousand eight hundred fifty), based on an average annual travel cost of \$208.0, and presuming interest is not compounding. This bill also covers all non-travel reimbursements and resource family reimbursements. As employee reimbursements are processed through one software suite, and resource family reimbursements are processed through a different software suite, a new system will be necessary to track reimbursements regardless of the entity seeking reimbursement. A minimum cost of \$500.0 is anticipated for this expense. CYFD cannot absorb this with existing resources.

With respect to resource parent reimbursements, federal funding through Title IV-E does *not* recognize interest rates on foster care maintenance payments and incidentals. As such, all interest mandated by this bill must be calculated and reimbursed outside the federal portion of those payments to avoid federal audit errors, sanctions, and possible risk to federal funding by the Administration for Children and Families. For SFY2018 through SFY2022, CYFD paid an average of \$3,500.0 (three million five hundred thousand) through a reimbursement mechanism, which could expose the department to a fiscal implication ranging from \$3,062 (three thousand sixty-two) with 1 percent of payments past thirty days, up to \$153.0 (one hundred fifty-three thousand) with 50 percent of payments past thirty days. The rolling average of payments identified as 30 days past due for SFY 2021 to SFY2023 is 7 percent (down from 15 percent in SFY2020), which exposes CYFD to interest payments ranging from \$133.0 to \$326.0 . All monies for interest payments and a minimum of three additional FTE (\$180.0) necessary to track reimbursement status and issue payments will come from state general funds. CYFD cannot absorb these with existing resources.

SIGNIFICANT ISSUES

CYFD notes that it is aware that its FACTS system, which handles payments to families, is antiquated and in need of replacement, and that FACTS would not handle the additional task of dealing with reimbursements for employees (such as for travel expenses). Thus a new system would be required to handle the mandates of this bill.

TECHNICAL ISSUES

NMAG indicates that “there is possibly an issue with CYFD funding possible interest payments pursuant to this new statutory requirement as it would not be able to anticipate such possible interest costs for a yearly budget allowance and there is no appropriation included in the bill.”