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FISCAL IMPACT REPORT

BILL NUMBER: CS/House Bill 65/HHHCS/aHAFC

SHORT TITLE: CYFD Short-Term Stabilization Pilot Pgm

SPONSOR: House Health and Human Services Committee

LAST ORIGINAL
UPDATE: 2/17/2026 **DATE:** 1/29/2026 **ANALYST:** Malone

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
CYFD		No fiscal impact	No fiscal impact	No fiscal impact	N/A	N/A

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 76

Relates to an appropriation in the General Appropriation Act as amended by the Senate

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Children, Youth and Families Department

Health Care Authority

New Mexico Attorney General

Administrative Office of the Courts

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee (HAFC) amendment to the House Health and Human Services Committee substitute for House Bill 65 (HB65/HHHCS) removed the \$2.5 million appropriation contained in the bill.

The General Appropriation Act as amended by the Senate, includes a \$2.5 million special appropriation to the Children, Youth and Families Department (CYFD) for the purpose of implementing HB65.

Synopsis of HHC Substitute for House Bill 65

The House Health and Human Services Committee substitute for House Bill 65 (HB65/HHHCS) appropriates \$2.5 million from the general fund to CYFD for expenditure in FY27-FY29 for the purpose of contracting with appropriate clinical experts to develop, implement, and administer a

three-year short-term stabilization pilot program—the Foster Care Plus pilot project—to provide children in state custody with in-home or home-like placements, stabilization services, and crisis response. The pilot program would serve eligible children in Doña Ana, Chaves, San Juan, McKinley, Bernalillo, Santa Fe, and Eddy counties.

Under HB65, child eligibility for participation in the pilot program is determined by the child’s clinical assessment, with priority given to children with a history of frequent placements, placement disruptions, or a clinical diagnosis requiring a higher level of care.

HB65 requires CYFD to work with the Health Care Authority (HCA) and contracted experts with experience in evidence-based treatment models to develop and pilot the program. The pilot program must provide 24-hour crisis intervention, monthly in-home visits from caseworkers, weekly in-home child therapy, monthly in-home family therapy, additional parent training, and treatment team meetings to develop individualized services and support plans for children.

HB65 requires CYFD to establish incentives to fill placement gaps, including enhanced rates, financial support for start-up costs, and bonuses for placement providers. It also requires the pilot to include specialized incentive tracks for children with acute behavioral needs, children over the age of 12, sibling groups, and those requiring short-term stabilization.

Beginning November 1, 2026, HB65 would require CYFD to provide an annual report detailing the performance and outcomes of the pilot project to the Legislative Finance Committee and the Legislative Health and Human Services Committee.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

The HAFC amendment strikes the original appropriation from the bill, however; \$2.5 million for the purpose of implementing HB65 is included in General Appropriation Act as amended by the Senate.

In the agency’s analysis, CYFD asserted the administrative burden of the pilot program would require five new employees at an estimated annual cost of \$484 thousand a year. However, there is significant overlap between the requirements of the pilot program and CYFD’s new Foster Care Plus program (see “Significant Issues” below), which has existing staff. CYFD has subsequently testified that the agency can absorb much of the administrative burden. Further, many of the eligible uses for funding are behavioral health services provided through HCA by the state’s Medicaid managed care provider for children in state care, Presbyterian Health Plan.

Many of the intended expenditures under HB65 are eligible for federal reimbursement through Title IV-E (foster care) or Medicaid. HCA estimates, if \$2.5 million is used for services reimbursable at the federal medical assistance percentage (the higher Medicaid match rate), the state could draw down up to \$6.3 million in additional federal funds. However, the realized federal match is likely to be significantly lower for several reasons. First, state funding for behavioral health services reimbursable under Medicaid for children in state custody is already included in the HCA operating budget; the federal funds draw down is limited by utilization of services, not availability of state funds. Second, expenditures for foster care maintenance and

support reimbursable under Title IV-E are likely to be reimbursable at closer to 50 percent, the historical rate at which services have been reimbursed. And third, consistent with HB65, expenditures may be made for services that are not eligible for federal reimbursement at all. For example, congregate care facilities, such as shelters, are largely ineligible for federal funding.

SIGNIFICANT ISSUES

The *Kevin S. et al v. Blalock, et al.* case filed in 2018 against CYFD and the HCA alleged trauma-impacted youth in New Mexico foster care lacked safe, appropriate, and stable placements and behavioral health services. The settlement agreement reached in 2020 committed New Mexico to efforts to build out and expand community-based family placements for youth in care, increase the number of resource (foster) families in the state, increase the use of treatment foster care, and reduce the use of congregate care placements unless medically necessary. Since entering the settlement agreement, the state has continued to struggle to secure community-based placements for youth, who have continued to be placed in congregate care settings, including CYFD offices. According to CYFD, there was an average of 17 youth staying in CYFD offices per night in 2025. On January 19, 2026, the governor signed an executive order directing the end of office stays by March 1. Currently, it is not clear where CYFD intends to place youth currently staying in offices.

The requirements of HB65 and supporting funding in the General Appropriation Act as amended by the Senate, could assist CYFD with improving placements for children in state custody and, in turn, compliance with both *Kevin S.* and the governor's recent executive order. HB65 requires CYFD to develop and implement a pilot program with two distinct components. The first component of the pilot program must provide enhanced services for families and children while the second component requires CYFD to establish incentives to fill placement gaps.

The requirements of the first component of the pilot program are modeled on a program recently developed by CYFD, Foster Care Plus (FCP), and the basis for the Foster Care Plus pilot program. FCP is based on a similar program implemented in Oklahoma (Enhanced Foster Care). If FCP is implemented to fidelity, the program will provide the services required under the first component of HB65. Key components of FCP are:

- 24 hour crisis intervention,
- Monthly in-home quality worker visits,
- Weekly in-home individual child therapy,
- In-home family therapy or wrap around services as needed,
- Child and adolescent needs and strengths assessment (cans),
- Pressley Ridge training for foster families,
- Supplemental foster care rate of \$400/month.

Although all components of the program are not yet in place, CYFD began implementing components of FCP in May 2025 and began providing the supplemental foster care rate in November 2025. As of December 2025, the FCP unit was staffed by a supervisor and three staff and the program was serving 30 children placed in 20 families. Of the children involved, eight were receiving comprehensive community support services, six were receiving high-fidelity wraparound services, and seven were receiving specialized services, such as applied behavioral analysis for autism and occupational therapy. A statutory requirement and additional funding could assist CYFD with fully implementing FCP to fidelity and providing services to more

children and families.

The second component of HB65, requiring CYFD to establish incentives to fill placement gaps, does not delineate the type of placements that may be used to fill gaps. Without defining what types of placements may be incentivized, CYFD could choose to use implementation funding for additional congregate care settings, such as shelters or group homes that do not comply with federal requirements for Title IV-E funding eligibility. Research, federal guidance, and clinical recommendations suggest congregate care placements should be reserved for short-term treatment of acute mental health needs to enable stability in subsequent community settings. Research suggests prolonged exposure to congregate care settings can place foster care youth at greater risk for homelessness, incarceration, substance use, and other negative life outcomes. According to Casey Family Programs, group and institutional settings for youth in foster care cost up to 10 times more than placement in a family setting and can prevent or delay a permanent placement. In contrast, the Child Welfare Information Gateway reports living with a family generally improves child and youth well-being, reduces trauma, and promotes normalcy. As such, federal policies no longer encourage placement in congregate care settings, with alternatives being Medicaid-funded stays in accredited residential treatment centers or licensed group homes that meet certain requirements for providing behavioral health treatment. The federal Families First Prevention Services Act (FFPSA) limits the use of Title IV-E funding for children and youth placed in nonfamily settings and creates a new federal classification of congregate care: quality residential treatment programs (QRTPs). These programs must meet certain federal requirements, and all other group care settings may only receive federal Title IV-E foster care maintenance payments for a maximum of two weeks.

Since 2023, HCA, in collaboration with CYFD, has implemented changes to the Medicaid-covered behavioral health services for children and youth, including providing high-fidelity wraparound care coordination services, enhanced rates for evidence-based services, and an 85 percent increase in reimbursement for treatment foster care. However, utilization of the services remains low, and the agencies have struggled to connect children in care with necessary services. There are only four acute psychiatric care options for children in the state and only five residential treatment centers for children. And, despite instructing the Medicaid managed care organization for children in state custody to develop a performance improvement project to improve in-state access to residential treatment centers and treatment foster care over a year and a half ago, HCA has struggled to expand the provider network.

PERFORMANCE IMPLICATIONS

CYFD notes the agency has performance measures related to the stability of placements, which could be impacted by HB65.

ADMINISTRATIVE IMPLICATIONS

HCA notes HB65 would require the agency to coordinate with CYFD regarding the pilot, including dedicated staff time from three bureaus overseeing behavioral health policy and reimbursement, managed care organizations, and quality oversight. HCA also states the Information Technology Division may need to make system changes.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to House Bill 76, which appropriates \$10 million to HCA to develop alternative placements to congregate care for youth in state custody.

Relates to the General Appropriation Act as amended by the Senate, which includes \$2.5 million for CYFD “to contract with child welfare experts to develop, implement and administer a short-term stabilization pilot program in Doña Ana, Chaves, San Juan, McKinley, Bernalillo, Santa Fe and Eddy counties.” The funding in the General Appropriation Act as amended by the Senate is not contingent on passage of HB65.

TECHNICAL ISSUES

The Administrative Office of the Courts (AOC) flags that definitions are found at the beginning and end of the new section (*i.e.*, Subsection A defines “foster care plus pilot program,” while definitions “evidence-based treatment,” “specialized incentive track,” and “therapeutic foster home” are defined in Subsection G).

OTHER SUBSTANTIVE ISSUES

As drafted, HB65 requires only annual reporting and does not include specific reporting requirements, such as the number of children in state custody in placements other than community-based foster placements. Requiring CYFD to report on the number of children in state custody in placements other than community-based foster placements monthly, including detailed information about the type of placement, would allow the Legislature to track progress from funded activities.

CYFD asserts HB65 requires provision of specific, enumerated services and these services requirements limit the ability to provide individualized service and support plans, including culturally grounded approaches existing outside of evidence-based practice that may be more appropriate for certain communities.

AOC notes the listed services included in HB65 do not include specific or identified opportunities for culturally competent, tribal-based services for Native American children and families involved with the state child welfare system. AOC also notes that, although LGBTQ+ children and youth are overrepresented in the child welfare system, HB65 does not identify specialized services for this population.

AOC observes New Mexico is not alone in struggling to find appropriate placements for children in foster care, particularly older youth and those with more acute needs. AOC cites an American Enterprise International article, “Why Foster Children Are Sleeping in Offices and What Can We Do About It,” and notes that several of the recommendations in the article are emphasized in HB65.¹

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¹ <https://www.aei.org/wp-content/uploads/2023/04/Why-Foster-Children-Are-Sleeping-in-Offices-and-What-We-Can-Do-About-It.pdf?x97961>