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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 2/20/2025

SPONSOR Campos

BILL

SHORT TITLE Physician Graduate Medical Ed. Trust Fund **NUMBER** Senate Bill 380

ANALYST Jorgensen

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$100,000.0	Nonrecurring	General 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
Trust Fund Dist.	\$0.0	\$5,000.0	\$5,035.0	\$5,070.2	\$5,070.3	Recurring	Phys. Grad. Med. Edu. Program Fund

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

Sources of Information

LFC Files

Agency Analysis Received From
 Department of Health (DOH)
 Health Care Authority (HCA)
 Higher Education Department (HED)
 University of New Mexico (UNM)

SUMMARY

Synopsis of Senate Bill 380

Senate Bill 380 (SB380) establishes the physician graduate medical education trust fund and the physician graduate medical education program fund to support residency programs in rural and underserved areas. The trust fund, financed through a \$100 million appropriation from the general fund, will distribute 5 percent of its average market value annually to the program fund to support graduate medical education programs in rural areas.

Between FY26 and FY28, the bill provides that up to \$2.5 million of the available funds to support graduate medical education programs in rural and underserved areas *in the process of developing applications for accreditation*, that up to \$500 thousand of available funds supports graduate medical education programs in rural and underserved areas that have been accredited less than one year, and that the remaining balance of the funds (approximately \$2 million) support rural and underserved area graduate medical education programs that have been accredited more than one year. Beginning in FY29, the entirety of the balance will support existing rural and underserved area graduate medical education programs.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

SB380 makes a nonrecurring appropriation of \$100 million from the general fund to the newly-established physician graduate medical education trust fund. The trust fund will be invested by the State Investment Council and all interest earned will be credited back to the trust fund. LFC staff estimated fund distributions, fund balances, and investment earnings based on a 6 percent return assumption in the table below as reflected in the revenue table.

Physician Graduate Medical Education Trust Fund Projection
(dollars in thousands)

	FY26	FY27	FY28	FY29
Starting Fund Balance	\$100,000.0	\$100,700.0	\$101,404.9	\$102,114.7
<i>Distributed to Program Fund</i>	<i>\$5,000.0</i>	<i>\$5,035.0</i>	<i>\$5,070.2</i>	<i>\$5,070.3</i>
Investment Return (6%)	\$5,700.0	\$5,739.9	\$5,780.1	\$5,822.7
Ending Fund Balance	\$100,700.0	\$101,404.9	\$102,114.7	\$102,867.1

Source: LFC Files

SIGNIFICANT ISSUES

Graduate medical education programs occur after completion of a 4-year medical school program and are often referred to as residencies. These programs typically last from 3 to 7 years and may include a fellowship of 1- to 3-years following residency. Graduate medical education programs are generally sponsored initially by a medical school but the day-to-day operations and the financing for these programs remains with the medical institution in which they are housed. Many program face start-up costs for administration and physician supervision for the residents which may not be fully covered through the clinical revenue generated by the resident physician. New residency programs often take 3-5 years to start up. SB350 would provide support to new programs in FY26 through FY28 and then provide ongoing support for existing programs in FY29 and beyond.

The Health Care Authority (HCA) currently receives general fund appropriations of \$1 million per year to allocate funding to support the expansion of primary care residency programs, increasing the number of first-year residency positions in rural communities. HCA currently has five programs in development. These programs may benefit from the new fund as it allows support in years after the new residency is open. HCA further notes “currently, there are five accredited graduate medical programs in rural or underserved areas with 11.26 FTEs and a total expenditure of \$932.0 thousand of which the general fund is \$264.0 thousand a year.”

The Department of Health (DOH) reports:

The Health Resources and Services Administration (HRSA) currently administers a grant program for rural residency programs that awards up to \$750 thousand for accreditation costs, faculty development, and resident recruitment. This includes both direct and indirect costs (HRSA, 2025). However, New Mexico may have reached the capacity to support rural residency programs that can meet accreditation standards due to shortages of physicians able to serve as residency directors and attending physicians.

TECHNICAL ISSUES

DOH notes:

SB380 allocates funding for existing rural residencies but the language in the bill also includes “underserved” areas which could theoretically mean the entire state depending on how underserved is defined. There currently is no definition in SB380 for underserved; therefore, as it’s written, nothing would prevent the dollars going to existing urban programs in Albuquerque, Santa Fe, or Las Cruces.

CJ/hj/S12