

LFC Requester:	Chenier, Eric
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 3/7/2025 *Check all that apply:*
Bill Number: SB88 Original Correction
 Amendment Substitute

Sponsor: George K. Munoz, William E. Sharer, Pat Woods, Pamela Herndon, Elizabeth "Liz" St. Francis **Agency Name and Code** NMSTO 39400
Short Title: Medicaid Trust Fund & State Supported Fund **Number:** _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

SB88 as amended creates the Medicaid trust fund and dictates that the monies in the fund will be invested by the state investment officer (SIC). On July 1, 2029 and on each subsequent July 1 a distribution from the trust fund shall be made to the to the state supported Medicaid fund in an amount equal to five percent of the average of the year-end market values of the trust fund for the immediately preceding three calendar years. This distribution will only begin when the balance of the trust fund at the end of a fiscal year is \$500MM.

The bill as amended also creates the state-supported Medicaid fund which will be administered by the HCA. Unexpended and unencumbered balances in this fund shall revert to the Medicaid trust fund.

The bill as amended also temporarily changes how interest earnings of the general fund are distributed. All earnings that are not credited to specific funds, due to statute or federal law, will now be credited to the Medicaid trust fund. Once the balances of the Medicaid trust fund reach \$2B earnings will be credited as the general fund.

FISCAL IMPLICATIONS

The Senate Floor Amendment and the SFC amended bill still do not address STO's original concerns.

Current statute on page 5, Section 3. A, requires all earnings, including unrealized gains and losses to be distributed. The bill as amended requires allocation those earning to the Medicaid trust fund until the fund reaches a balance of \$2 billion then the earnings will be credited back to the general fund.

STO has concerns that if unrealized losses exceed unrealized income for any month, then there should be a claw back of unrealized gains have already been distributed to the Medicaid Trust Fund. If only unrealized gains are distributed and there are unrealized losses the GF will be absorbing the losses. During times of extreme movements in interest rates, unrealized losses or gains could be quite material. If income is paid out without accounting for unrealized gains or losses, then what would be paid out would be more or less than the GF earned over a period. If the portfolio needed to be liquidated that gain or loss would be realized and would be absorbed by the GF.

Original implications shared on 2/10/25:

All income including unrealized gains/losses will be temporarily transferred to the Medicaid Trust, an uncommon practice. The General Fund is producing monthly earnings of approximately \$31 million, equating to \$372 million in income for a year, not including unrealized gains/losses. It is not a prudent practice to transfer money based on unrealized gains or losses.

SIGNIFICANT ISSUES

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

It is not a prudent practice to transfer money based on unrealized gains or losses.

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

Strike language allocating unrealized gains or losses.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS