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## FISCAL IMPACT REPORT

LAST UPDATED \_\_\_\_\_  
ORIGINAL DATE 2/1/24

SPONSOR Sharer

BILL  
NUMBER Senate Bill 223

SHORT TITLE Medicaid Trust Fund

ANALYST Chenier

### REVENUE\* (dollars in thousands)

Type	FY24	FY25	FY26	FY27	FY28	Recurring or Nonrecurring	Fund Affected
Federal Mineral Leasing Payments and Oil and Gas School Tax		(\$663,100.0)	(\$701,100.0)	(\$130.2)		Recurring	Early Child Education and Care Trust Fund
Federal Mineral Leasing Payments and Oil and Gas School Tax		\$663,100.0	\$701,100.0	\$130.2		Recurring	Medicaid Trust Fund
				(\$22.2)	(\$56.3)	Recurring	ECE Program Fund
				\$33.2	\$49.9	Recurring	State-Supported Medicaid Fund

Parentheses ( ) indicate revenue decreases.

\*Amounts reflect most recent analysis of this legislation.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		\$0	\$0	\$0	Recurring	General Fund (Likely offsets general fund spending starting in FY27)

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to SB139 which also creates a Medicaid trust fund and Senate Bill 153 which requires minimum distributions from the early childhood trust fund.

### Sources of Information

LFC Files

Agency Analysis Received From  
Early Childhood Education and Care Department (ECECD)

## SUMMARY

### Synopsis of Senate Bill 223

Senate Bill 223 (SB223) creates the Medicaid trust fund (MTF) and the state-supported Medicaid fund with money in the trust fund invested by the State Investment Officer. The MTF would receive distributions from oil and gas emergency school tax and federal mineral leasing revenue by removing the distributions to the early childhood education and care fund and redirecting those distributions to the MTF. SB223 (Section 1 Subsection E) allows for distributions from the trust fund to the general fund in the event of a state budget deficit. The state-supported Medicaid fund is subject to appropriation by the Legislature to support the state Medicaid program and to match with federal funds. The Health Care Authority would administer the fund.

The distribution to the MTF would stop once distributions from the fund are sufficient to cover one-half the cost of funding the state Medicaid program.

The effective date of this bill is July 1, 2024.

## FISCAL IMPLICATIONS

The fiscal impact reflected in the table on page 1 are from the December 2023 consensus revenue estimate. All revenues into the Medicaid Trust Fund (MTF) are revenues lost to the early childhood education and care trust fund (ECTF).

Below is an estimate of revenue to the MTF and distributions from the MTF to the state-supported Medicaid fund.

<b>Medicaid Trust Fund - SB223</b>				
(in millions)				
Calendar Year	2025	2026	2027	2028
	<i>Estimated</i>	<i>Estimated</i>	<i>Estimated</i>	<i>Estimated</i>
Beginning Balance		\$663.1	\$1,331.1	\$1,464.7
Gains & Losses	\$0.0	\$26.5	\$53.2	\$58.6
Excess Federal Mineral Leasing	\$663.1	\$246.5	\$0.0	\$0.0
Excess OGAS School Tax*	\$0.0	\$428.1	\$130.2	\$0.0
Distribution to State-Supported Medicaid Fund	\$0.0	(\$33.2)	(\$49.9)	(\$57.6)
<b>Ending Balance</b>	<b>\$663.1</b>	<b>\$1,331.1</b>	<b>\$1,464.7</b>	<b>\$1,465.6</b>
*Excess OGAS School Tax distributed to the Medicaid Trust Fund if general fund reserves are at least 25% throughout forecast period, and distributions occur for prior fiscal year in January of the following calendar year.				
Note: Investment return assumed at 4% and distributions occur on July 1, based on previous calendar year-ending balance.				
	FY25	FY26	FY27	FY28
Distribution to State-Supported Medicaid Fund	\$0.00	\$0.00	\$33.2	\$49.9

Source: December 2023 Consensus Revenue Forecast

This bill will eliminate distributions to the ECTF. According to the Early Childhood Education and Care Department, the loss of approximately \$90 million (in FY29) in funding to ECECD will reduce services for childcare assistance, child and maternal health, doula and lactation services, home-visiting, quality support for prekindergarten, and department administrative costs.

Additionally, the corpus of the early childhood education fund will fail to grow at the current projected rates.

Below is the current estimate for the ECTF. The Legislative Finance Committee endorsed Senate Bill 153 (SB153) and included distributions from SB153 in the General Appropriation Act. The table below reflects the assumption that the General Appropriation Act and SB153 pass, as needed for the FY25 budget.

Early Childhood Trust Fund Forecast - December 2023 (under SB153 scenario)									
(in millions)									
Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actual	Actual	Estimated						
Beginning Balance	\$300.0	\$300.0	\$314.1	\$3,462.0	\$5,508.2	\$7,646.4	\$9,010.8	\$9,676.4	\$9,754.8
Gains & Losses	\$6.1	\$34.1	(\$6.4)	\$123.2	\$220.3	\$305.9	\$360.4	\$387.1	\$390.2
Excess Federal Mineral Leasing	\$0.0	\$0.0	\$1,501.5	\$2,073.0	\$1,018.1	\$663.1	\$246.5	\$0.0	\$0.0
Excess OGAS School Tax*	\$0.0	\$0.0	\$1,682.80	\$0.0	\$1,149.8	\$672.4	\$428.1	\$130.2	\$0.0
Distribution to ECE Program Fund	\$0.0	(\$20.0)	(\$30.0)	(\$150.0)	(\$250.0)	(\$276.9)	(\$369.4)	(\$438.9)	(\$474.0)
<b>Ending Balance</b>	<b>\$306.1</b>	<b>\$314.1</b>	<b>\$3,462.0</b>	<b>\$5,508.2</b>	<b>\$7,646.4</b>	<b>\$9,010.8</b>	<b>\$9,676.4</b>	<b>\$9,754.8</b>	<b>\$9,671.0</b>
*Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period, and distributions occur for prior fiscal year in January of the following calendar year.									
Note: Investment return assumed at 4% and distributions occur on July 1, based on previous calendar year-ending balance.									
		FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Distribution to ECE Program Fund		\$0.00	\$20.00	\$30.00	\$150.00	\$250.00	\$276.94	\$369.42	\$438.90

The next table reflects the new estimate for the ECTF, with impacts from SB223 reflected. The difference between the two tables is primarily in the loss of transfers into the fund in 2025 and beyond, a lower expected balance for those years, and lower distributions to the early childhood education program fund, which is used to fund services in the department. Therefore, SB223 is estimated to reduce distributions to the early childhood program fund by \$22.2 million in FY27 and \$56.3 million by FY28, reflecting less funds available for early childhood programming in the future.

Early Childhood Trust Fund Forecast With SB223 Scenario									
(in millions)									
Calendar Year	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Actual	Actual	Estimated						
Beginning Balance	\$300.0	\$300.0	\$314.1	\$3,462.0	\$5,508.2	\$7,646.4	\$7,675.3	\$7,635.2	\$7,558.0
Gains & Losses	\$6.1	\$34.1	(\$6.4)	\$123.2	\$220.3	\$305.9	\$307.0	\$305.4	\$302.3
Excess Federal Mineral Leasing	\$0.0	\$0.0	\$1,501.5	\$2,073.0	\$1,018.1	\$0.0	\$0.0	\$0.0	\$0.0
Excess OGAS School Tax*	\$0.0	\$0.0	\$1,682.80	\$0.0	\$1,149.8	\$0.0	\$0.0	\$0.0	\$0.0
Distribution to ECE Program Fund	\$0.0	(\$20.0)	(\$30.0)	(\$150.0)	(\$250.0)	(\$276.9)	(\$347.2)	(\$382.6)	(\$381.1)
<b>Ending Balance</b>	<b>\$306.1</b>	<b>\$314.1</b>	<b>\$3,462.0</b>	<b>\$5,508.2</b>	<b>\$7,646.4</b>	<b>\$7,675.3</b>	<b>\$7,635.2</b>	<b>\$7,558.0</b>	<b>\$7,479.2</b>
*Excess OGAS School Tax distributed to Early Childhood Trust Fund if general fund reserves are at least 25% throughout forecast period, and distributions occur for prior fiscal year in January of the following calendar year.									
Note: Investment return assumed at 4% and distributions occur on July 1, based on previous calendar year-ending balance.									
		FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Distribution to ECE Program Fund		\$0.00	\$20.00	\$30.00	\$150.00	\$250.00	\$276.94	\$347.17	\$382.62

## SIGNIFICANT ISSUES

ECECD indicates the loss of approximately \$90 million in funding to ECECD will reduce services and notes the corpus of the early childhood education fund will fail to grow at the current projected rates.