

LFC Requester:

Eric Chenier

AGENCY BILL ANALYSIS
2024 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:

AgencyAnalysis.nmlegis.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}

Check all that apply:

Original Amendment
Correction Substitute

Date 1/23/24

Bill No: SB139

Sponsor: Sen. Munoz
Short Medicaid Trust Fund
Title:

Agency Name and Code HSD-630
Number:
Person Writing Paoze Her
Phone: 709-7656 Email Paozez.her@hsd.nm.g

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
\$0	1,000,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
\$0	\$0	\$0	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	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: Senate Bill 139 (SB 139) proposes to create the Medicaid trust fund and the state-supported Medicaid fund within the state treasury. A distribution from the trust fund to the state-supported Medicaid fund would start on July 1, 2027, 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, or if, on July 1 of a year, distributions have been made for less than three calendar years, the distribution is in an amount equal to five percent of the average of the year-end market values of the trust fund for the immediately preceding number of calendar years that distributions have been made. The state-supported Medicaid fund is administered by the Health Care Authority. The legislature can appropriate money in the Medicaid fund to support the state Medicaid program and to match federal funds for the state Medicaid program. In addition to distributing to the state-supported Medicaid fund, money in the trust fund can also be expended in an amount necessary to meet general fund appropriations for that fiscal year if all other funding sources have been exhausted.

Money in the trust fund shall be invested by the state investment officer and income from investment of the fund shall be credited to the fund. The investment officer is to report quarterly to the legislative finance committee and the state investment council and prepares an annual report for the legislative finance committee, the revenue stabilization and tax policy committee and any other appropriate interim committees by October 1.

SB 139 transfers one billion dollars (\$1,000,000,000) from the general fund to the Medicaid trust fund. This is effective July 1, 2024.

FISCAL IMPLICATIONS

SB 139 transfers one billion dollars (\$1,000,000,000) from the general fund to the Medicaid trust fund to be invested for three years before a distribution can be made from the trust fund to the state-supported Medicaid fund. Since a distribution will not be made from the trust fund to the Medicaid fund and appropriated by the Legislature to support the Medicaid program until July 1, 2027, there is no immediate fiscal impact to the Medicaid program. Any fiscal impact will occur in FY 2028 and thereafter.

For an illustration, if the \$1,000,000,000 is invested at the beginning of FY 2025 and earns a 5% annual percentage yield (APY), then by the end of FY 2027, the average value of the three years

(FY 2025 thru FY 2027) of the investment is \$1,103,375,000. Thus, the distribution of 5% of the average value of \$1,103,375,000 from the Medicaid trust fund to the state-supported Medicaid fund for FY 2028 will be \$55,168,750 = (\$1,103,375,000 x 5%). Assuming that the APY is still 5% for FY 2028, the average of the three years ending June 30, 2028 will be \$1,139,234,688. The 5% distribution from the Medicaid trust fund to the state-supported Medicaid will be \$56,961,734 = (\$1,139,234,688 x 5%) for FY 2029. As long as the market value of the trust fund remains above one billion dollars each year with at least an APY of 5%, the annual distribution of 5% from the trust fund to the Medicaid fund will remain above \$55,000,000 for FY 2030 and thereafter (See table below). The actual distribution will be based on actual values from investment results and will deviate from this illustration.

Earning and Distribution of the Medicaid Trust Fund of SB 139					
Fiscal Year (FY)	Description	Distribution from Trust Fund to Medicaid Fund (5%)	Interest Earned From Investment (APY = 5%)	Annual Balance	Average of Three Years
7/1/2024	Beginning Balance			\$ 1,000,000,000	
FY 2025	+ Interest Earned		\$ 50,000,000	\$ 1,050,000,000	N/A
FY 2026	+ Interest Earned		\$ 52,500,000	\$ 1,102,500,000	N/A
FY 2027	+ Interest Earned		\$ 55,125,000	\$ 1,157,625,000	N/A
FY 2028	-Distribution + Interest Earned	\$ (55,168,750)	\$ 55,122,813	\$ 1,157,579,063	\$ 1,103,375,000
FY 2029	-Distribution + Interest Earned	\$ (56,961,734)	\$ 55,030,866	\$ 1,155,648,195	\$ 1,139,234,688
FY 2030	-Distribution + Interest Earned	\$ (57,847,538)	\$ 54,890,033	\$ 1,152,690,690	\$ 1,156,950,753
FY 2031	-Distribution + Interest Earned	\$ (57,765,299)	\$ 54,746,270	\$ 1,149,671,661	\$ 1,155,305,983
FY 2032	-Distribution + Interest Earned	\$ (57,633,509)	\$ 54,601,908	\$ 1,146,640,060	\$ 1,152,670,182
FY 2033	-Distribution + Interest Earned	\$ (57,483,374)	\$ 54,457,834	\$ 1,143,614,520	\$ 1,149,667,470
FY 2034	-Distribution + Interest Earned	\$ (57,332,104)	\$ 54,314,121	\$ 1,140,596,537	\$ 1,146,642,080

SIGNIFICANT ISSUES

SB 139 includes grant funds as part of the monies that would be transferred into the trust fund. The distribution based on the grant dollars may not be eligible for federal matching funds if it doesn't meet federal requirements.

PERFORMANCE IMPLICATIONS

None
No IT impact.

ADMINISTRATIVE IMPLICATIONS

None

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

Consider changing "grants" to "awards" or remove it from the following sentence:

“The fund consists of distributions, appropriations, gifts, grants and donations.”

OTHER SUBSTANTIVE ISSUES

None

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

None

AMENDMENTS

None