

1 AN ACT  
2 RELATING TO PUBLIC FUNDS; CREATING THE MEDICAID TRUST FUND  
3 AND THE STATE-SUPPORTED MEDICAID FUND; REQUIRING CERTAIN  
4 BALANCES OF REVERTING FUNDS AND ACCOUNTS TO BE TRANSFERRED  
5 FROM THE GENERAL FUND TO THE MEDICAID TRUST FUND.

6  
7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

8 SECTION 1. MEDICAID TRUST FUND.--

9 A. The "medicaid trust fund" is created as a  
10 nonreverting fund in the state treasury. The trust fund  
11 consists of distributions, appropriations, gifts, grants and  
12 donations. Income from investment of the trust fund shall be  
13 credited to the trust fund. Money in the trust fund shall be  
14 expended only as provided in this section.

15 B. The state investment officer shall invest money  
16 in the trust fund in accordance with the prudent investor  
17 rule as set forth in Chapter 6, Article 8 NMSA 1978 and in  
18 consultation with the health care authority.

19 C. The state investment officer shall report  
20 quarterly to the legislative finance committee and the state  
21 investment council on the investments made pursuant to this  
22 section. An annual report shall be submitted no later than  
23 October 1 of each year to the legislative finance committee,  
24 the revenue stabilization and tax policy committee and any  
25 other appropriate interim committees.

1           D. On July 1, 2029 and each July 1 thereafter, a  
2 distribution shall be made from the trust fund to the  
3 state-supported medicaid fund in an amount equal to five  
4 percent of the average of the year-end market values of the  
5 trust fund for the immediately preceding three calendar  
6 years; provided that a distribution shall not be made until  
7 the balance of the trust fund at the end of a fiscal year is  
8 at least five hundred million dollars (\$500,000,000).

9           E. Money in the trust fund may be appropriated for  
10 any purpose if, in a fiscal year, federal matching funds for  
11 the state medicaid program:

12                 (1) decrease by at least seven and one-half  
13 percent from the previous fiscal year; or

14                 (2) are less than a one-to-one match with  
15 money appropriated by the legislature for the program.

16           F. In fiscal years 2026 through 2029, money in the  
17 trust fund may be appropriated to support the state medicaid  
18 program if a reduction in federal medicaid funding received  
19 by the state will cause a reduction in coverage or benefits  
20 below the levels provided as of the effective date of this  
21 2025 act.

22           G. Money in the trust fund may be expended in the  
23 event that general fund balances, including all authorized  
24 revenues and transfers to the general fund and balances in  
25 the general fund operating reserve, the appropriation

1 contingency fund, the tax stabilization reserve and the early  
2 childhood education and care fund, will not meet the level of  
3 appropriations authorized from the general fund for a fiscal  
4 year. In that event, to avoid an unconstitutional deficit,  
5 the legislature may appropriate from the trust fund to the  
6 general fund only in the amount necessary to meet general  
7 fund appropriations for that fiscal year and only if the  
8 legislature has authorized transfers from the appropriation  
9 contingency fund, the general fund operating reserve, the tax  
10 stabilization reserve and the early childhood education and  
11 care fund that exhaust those fund balances.

12 SECTION 2. STATE-SUPPORTED MEDICAID FUND.--The  
13 "state-supported medicaid fund" is created in the state  
14 treasury. The fund consists of distributions,  
15 appropriations, gifts, grants, donations and income from  
16 investment of the fund. The health care authority shall  
17 administer the fund. Money in the fund is subject to  
18 appropriation by the legislature to support the state  
19 medicaid program and to match federal funds for the state  
20 medicaid program. Expenditures from the fund shall be by  
21 warrant of the secretary of finance and administration  
22 pursuant to vouchers signed by the secretary of health care  
23 authority or the secretary's authorized representative. Any  
24 unexpended or unencumbered balance remaining at the end of a  
25 fiscal year shall revert to the medicaid trust fund.

1           SECTION 3. Section 6-5-10 NMSA 1978 (being Laws 1994,  
2 Chapter 11, Section 1, as amended) is amended to read:

3           "6-5-10. STATE AGENCY REVERSIONS--DIRECTOR POWERS--  
4 COMPLIANCE WITH FEDERAL RULES--TRANSFER OF REVERSIONS IN  
5 GENERAL FUND TO THE MEDICAID TRUST FUND.--

6           A. Except as provided in Subsection B of this  
7 section, all unreserved undesignated fund balances in  
8 reverting funds and accounts as reflected in the central  
9 financial reporting and accounting system as of June 30 shall  
10 revert by September 30 to the general fund. The division may  
11 adjust the reversion within forty-five days of release of the  
12 audit report for that fiscal year.

13           B. By October 1 of each year, the balance of the  
14 reversions in excess of one hundred ten million dollars  
15 (\$110,000,000) for the previous fiscal year shall be  
16 transferred to the medicaid trust fund until the balance of  
17 the medicaid trust fund reaches two billion dollars  
18 (\$2,000,000,000) as of the end of a fiscal year.

19           C. The director of the division may modify a  
20 reversion required pursuant to Subsection A of this section  
21 or a transfer made pursuant to Subsection B of this section  
22 if the reversion made pursuant to Subsection A of this  
23 section would violate federal law or rules pertaining to  
24 supplanting of state funds with federal funds or other  
25 applicable federal provisions."

SECTION 4. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2025. \_\_\_\_\_

SB 88  
Page 5