

LFC Requester:

Hilla

AGENCY BILL ANALYSIS - 2026 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: 2/7/2026 *Check all that apply:*
Bill Number: HB316 Original X Correction _____
 Amendment _____ Substitute _____

Sponsor: Johnson **Agency Name and Code Number:** 337 – State Investment Council
Short Title: RURAL HOSPITAL MALPRACTICE **Person Writing:** Allen/Iglesias
Title: MALPRACTICE **Phone:** _____ **Email:** Jordan.allen@sic.nm.gov

SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
(100,000.0)	--	--	Nonrecurring	General Fund
100,000.0	--	--	Nonrecurring	Rural Hospital Malpractice Liability Insurance Trust Fund

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
		5,200.0	Recurring	Rural Hospital Malpractice Liability Insurance Program Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	Increased administrative complexity that could require additional SIC staffing – see administrative implications				R	LGPF/STPF

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 316 creates the Rural Hospital Malpractice Liability Insurance Act to address medical malpractice insurance premium for rural hospitals. The Act creates two new funds, the Rural Hospital Malpractice Liability Insurance Trust Fund (“Trust Fund”) and the Rural Hospital Malpractice Liability Insurance Program Fund (“Program Fund”). The Trust Fund would provide annual distributions to the Program Fund. The State Investment Officer will invest the Trust Fund in accordance with the Uniform Prudent Investor Act (UPIA) and the Department of Health would administer the Program Fund. The Department of Health may establish rules and procedures for administering the fund and originating premium grants to prospective hospitals. This bill has an emergency clause making it immediately effective if signed by the governor.

FISCAL IMPLICATIONS

The bill creates a Trust Fund to provide a recurring funding source to the Program Fund. The Trust Fund will receive a \$100 million appropriation from the General Fund in FY26.

The Trust Fund will distribute on July 1st, 2027, and every July 1st thereafter, an amount equal to five percent of the average year-end market value of its balance for the three immediately preceding calendar years. If the Trust Fund has been in existence for fewer than three years, the distribution shall be five percent of the average year-end market value for the number of years the Trust Fund has been in effect.

The tables below illustrates the estimated fiscal impact of the bill. The analysis assumes an expected compound annual return for the Rural Hospital Malpractice Liability Insurance Trust Fund similar to LGPF, which, as estimated in our general consultant RVK’s 2025 asset allocation study, was 7.05 percent.

Rural Hospital Malpractice Liability Insurance Trust Fund (\$millions)					
Calendar Year	Beginning Balance	Approp.	Distrib. to Program Fund	Gains & Losses	Ending Balance
2026	\$0.0	\$100.0	\$0.0	\$3.5	\$103.5
2027	\$103.5	\$0.0	-\$5.2	\$7.1	\$105.5
2028	\$105.5	\$0.0	-\$5.2	\$7.3	\$107.5
2029	\$107.5	\$0.0	-\$5.3	\$7.4	\$109.6
2030	\$109.6	\$0.0	-\$5.4	\$7.5	\$111.8
2031	\$111.8	\$0.0	-\$5.5	\$7.7	\$114.0
2032	\$114.0	\$0.0	-\$5.6	\$7.8	\$116.2
2033	\$116.2	\$0.0	-\$5.7	\$8.0	\$118.5
2034	\$118.5	\$0.0	-\$5.8	\$8.2	\$120.9
2035	\$120.9	\$0.0	-\$5.9	\$8.3	\$123.2

Distribution to Rural Hospital Malpractice Liability Insurance Program Fund (\$MM)		
Fiscal Year	Distrib Date	Amount
FY26	Jul-25	\$0.000
FY27	Jul-26	\$0.000
FY28	Jul-27	\$5.176
FY29	Jul-28	\$5.225
FY30	Jul-29	\$5.275
FY31	Jul-30	\$5.376
FY32	Jul-31	\$5.481
FY33	Jul-32	\$5.589
FY34	Jul-33	\$5.700
FY35	Jul-34	\$5.812

For this analysis the SIC staff assume the Trust Fund would receive a \$100 million appropriation from the General Fund by May 20th, 2026. (assuming 90 days after the legislative session), but before July 1st, 2026 (end of FY26).

Under these assumptions, the trust fund will make its first distribution of about \$5.2 million by July 1st, 2027 (FY28) and is projected to make cumulative distributions of about \$145 million by 2050.

PERFORMANCE IMPLICATIONS

The State Investment Officer, with the approval of the State Investment Council would manage the Trust Fund in accordance with the Uniform Prudent Investor Act and would seek to ethically optimize risk-adjusted returns and grow the fund over time.

The Council does not currently have a “boilerplate” asset allocation for any fund, including the proposed Trust Fund, but it is a fair assumption that the new fund could/would be constructed in a manner similar to other permanent/trust funds managed by the SIC.

ADMINISTRATIVE IMPLICATIONS

Adding new funds for the SIC to manage increases administrative complexity and increases staff workloads. Since 2019, the legislature has added 10 more funds for the Council to manage, bringing the total number of investment funds the Council directly oversees to 14.

The SIC has seen its assets more than quadruple in the last 15 years to over \$70 billion today, while its staffing levels have remained relatively flat. Expert opinions sought by the Council to address staffing concerns suggested a need to double the number of investment staff and increase the number of legal and accounting staff to facilitate increased workloads, mitigate risk and maintain proper ongoing due diligence of investments.

The SIC’s budget request for FY27 requested full funding for its current 37 authorized FTE and sufficient funding to add 12 new FTE to support its current operations.

The following shows current legislative proposals to create new funds to be invested by the SIC:

- House Bill 21 and Senate Bill 59 create a new Land Grant-Merced and Acequia Infrastructure Trust Fund.
- House Bill 85 creates a new Medical Provider Recruitment Trust Fund, seeded with a \$5 million general fund appropriation.
- House Bill 243 creates a new Equine Welfare Trust Fund, seeded with a \$5 million general fund appropriation.
- House Bill 316 creates a new Rural Hospital Malpractice Liability Insurance Trust Fund, seeded with a \$100 million general fund appropriation.
- House Bill 322 creates a new Transportation Trust Fund, seeded with a \$400 million general fund appropriation.
- Senate Bill 202 creates a new Physician Graduate Medical Education Trust Fund, seeded with a \$100 million general fund appropriation.
- Senate Bill 304 creates a new Next Generation Trust Fund, seeded with a \$20 million general fund appropriation.