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FISCAL IMPACT REPORT

ORIGINAL DATE 02/15/13
LAST UPDATED 02/26/13 **HB** _____

SPONSOR Morales

SHORT TITLE NMFA Bonds for Hospitals **SB** 495/aSPAC

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY13	FY14		
\$562.0	\$545.0	Recurring	Cigarette Tax Revenue Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	(\$1,157.0)	(\$151.0)	Recurring	Cigarette Tax Revenue Fund

(Parenthesis () Indicate Revenue Decreases)

Relationship to House Bill 580

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of SPAC Amendment

The Senate Public Affairs Committee amendment to Senate Bill 495, Items 1 and 2, are technical modifications and make no substantive changes to the bill.

Synopsis of Original Bill

Senate Bill 495 authorizes the New Mexico Finance Authority (NMFA) to issue additional cigarette tax revenue bonds for the Regional Cancer Treatment Center at the Gila Regional

Medical Center in Grant County and the Nor-Lea General Hospital in Lea County to design, construct, equip and furnish additions and improvements to the hospitals.

FISCAL IMPLICATIONS

The authorization to issue additional revenue bonds in an amount of up to \$3 million contained in this bill is a recurring expense to the cigarette revenue bond fund. Any unexpended or unencumbered balances shall not revert.

SIGNIFICANT ISSUES

The NMFA, upon a certification of need by the chair of the Board of County Commissioners of Grant County or the Board of Trustees of the Nor-Lea special hospital district in Lea County may issue and sell revenue bonds in an amount not to exceed \$3 million for a term of no more than 20 years for both regional cancer centers. The authorization is in an amount of \$2.25 million for the regional cancer center in Grant County and in an amount of \$750 thousand for the regional cancer center in Lea County. The NMFA may combine the revenue of the issued bonds with any other available cash balances accumulated in the rural county cancer treatment cigarette tax fund to fund the centers authorized in this bill. The bond proceeds are to be appropriated to the Local Government Division of the Department of Finance and Administration for oversight of the funds for the infrastructure described in this bill.

According to NMFA, the estimated dollars demonstrated in the revenue table assumes \$1 million can be funded with excess cash balances in fiscal year 2014 and the remaining \$2 million from issued revenue bonds. The NMFA structures cigarette tax bonds assuming a 3 percent decline annually, and the current estimate is based on current taxable interest rates. The NMFA indicates it cannot determine where rates will be at the time of any revenue bond issuance, and currently the cigarette tax capacity is not sufficient to support the issuance for more than one of the hospitals within this bill.

SIGNIFICANT ISSUES

Laws 2006, Chapter 89 created a rural county cancer treatment fund within NMFA comprised of appropriations, donations, distributions of the cigarette tax, and money earned from investment of the fund and otherwise accruing to the fund. As amended in this bill, the money in the fund provides NMFA with a revenue stream to finance the design, construction, equipping and furnishing of the additions and improvements to cancer treatment facilities in Class B counties. Balances remaining in the fund at the end of a fiscal year shall not revert.

ADMINISTRATIVE IMPLICATIONS

The NMFA administers the rural county cancer treatment fund. The money in the fund may only be drawn on warrants signed by the executive director of the NMFA pursuant to vouchers signed by the chief financial officer or the officer's authorized representative.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 495 duplicates House Bill 580, except for Senate Public Affairs amendments providing technical modifications with no substantive changes to the purpose of the bill.