F I S C A L   I M P A C T   R E P O R T

		ORIGINAL DATE	2/16/15		
SPONSOR	Campos	**LAST UPDATED**		**HB**	
SHORT TITLE	Cigarette Tax Bonds for Health Facilities			**SB**	435
				ANALYST	Kehoe, L.

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	**FY16**		
N/A	N/A	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to Senate Bill 159

SOURCES OF INFORMATION
LFC Files

Responses Received From
Department of Health (DOH)
New Mexico Finance Authority (NMFA)
General Services Department (GSD)

SUMMARY

Synopsis of Bill

Senate Bill 435 amends the New Mexico Finance Authority Act to provide a new section authorizing the New Mexico Finance Authority (NMFA) to issue cigarette tax revenue bonds in an amount not to exceed $5 million, plus the cost of issuance. The net proceeds from the sale of the bonds are to plan, design, construct, and equip Department of Health (DOH) facilities.

FISCAL IMPLICATIONS

The authorization in this bill does not have a fiscal impact to the general fund. The cigarette tax revenue bonds issued for DOH facilities, upon certification of the need by the DOH cabinet secretary, are secured and will be repaid by a 3.74 percent distribution of cigarette tax revenues. The authority may secure the revenue bonds issued by a pledge of money in the public project revolving fund (PPRF) with a lien priority on the money in the PPRF as determined by the authority. The cigarette tax proceeds appropriated and distributed to the authority pursuant to this bill shall be deposited in a separate fund or account of the authority.

According to NMFA the cigarette tax revenue is a declining revenue stream. In FY2014, there was an 8.85 percent decline in generated cigarette tax revenue, nearly three times the projected decline of 3 percent. Year-to-date revenue is up approximately 6.9 percent over the same time period of the previous fiscal year. The NMFA considers cigarette tax revenue a volatile revenue stream. To issue cigarette tax revenue bonds, there must be sufficient capacity within the 3.74 percent cigarette tax revenue for debt service to support the additional debt service of the proposed new bonds, approximately $315 thousand.

SIGNIFICANT ISSUES

The DOH requested $34.4 million in 2015 to address patient health and safety issues impacted by aged infrastructure and a backlog of repairs and to complete the final phase of constructing the Meadows long-term care facility in Las Vegas. DOH facilities have been cited for code violations by the Joint Commission (an independent, not-for-profit accreditation organization), the state Fire Marshal, and the state Health Facility Licensing and Certification Bureau.

Senate Bill 159 proposes $16 million to complete the long-term care nursing facility. Recognizing a decline in severance tax bond capacity, the funding does not include furnishing, fixtures, and equipment. Proposed funds to complete the Meadows long-term care facility are by far the largest amount within the bill. Providing nursing home services in two separate buildings one-half mile apart is a challenge to provide a safe and therapeutic environment and continuity of care for the 49 residents still residing in the old Ponderosa building. The 1955 structure has an institutionalized environment without privacy and dignity rather than a home-like environment. The operational and maintenance costs to maintain the two buildings have increased dramatically, and reducing costs would better serve the clients.

RELATIONSHIP

Senate Bill 159 proposes $16 million from net senior severance tax bonds to complete phase 3 of the Meadows long-term care facility located at the Behavioral Health Institute in Las Vegas.

OTHER SUBSTANTIVE ISSUES

As provided by NMFA, the following table illustrates previous cigarette tax revenue bonds issued for DOH facilities in past years:

Issue	Project	Par Amount	Closing Date	Maturity
Series 2006A	Sothern Rehab	$1,000,000	8/1/2006	Paid Off
Series 2006B	Las Vegas Meadows	$1,000,000	8/1/2006	Paid Off
Series 2008A	*State Labs*	*$13,460,000*	*4/17/2008*	*6/1/2028*
Series 2008B	Alzheimer's/Veterans	$510,000	4/17/2008	Paid Off
Series 2008C	Sequoyah Medical	$85,000	4/17/2008	Paid Off
Series 2008D	*Southern Rehab*	*$11,545,000*	*11/13/2008*	*6/1/2028*
Series 2008E	Las Vegas Meadows	$1,116,500	11/13/2008	Paid Off
Series 2009A	Sequoyah Medical	$928,725	6/5/2009	Paid Off
Series 2012A	*Las Vegas Meadows*	*$8,975,000*	*3/9/2012*	*6/1/2037*

Note: Series 2008A, 2008D, and 2012A remain outstanding.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Proceeds from cigarette tax revenue are needed to defray the costs of completing phase 3 of the long-term care facility.

LMK/aml/bb