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

SPONSOR Leavell **ORIGINAL DATE** 1/23/08 **LAST UPDATED** **HB**

SHORT TITLE NMFA Bonds for Lea County Cancer Center **SB** 161

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY08	**FY09**	**FY10**		
	(126.0)	(125.0)	Recurring	Cigarette Tax Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Finance Authority

SUMMARY

Synopsis of Bill

Senate Bill 161 amends an appropriation for NMFA revenue bonds for regional county cancer treatment centers. The amendment allows NMFA to issue and sell revenue bonds not to exceed $1,500,000 for a regional cancer center in Lea County. The current appropriation is for the Gila regional medical center in Grant County. NMFA can issue the bonds upon a certification of need from the Nor-Lea special hospital district. The proceeds of any issued bonds are appropriated to the Department of Finance and Administration Local Government Division for the purpose of building the center. The maximum duration of the bonds will be 20 years.

FISCAL IMPLICATIONS

According to NMFA,

> Nor-Lea General Hospital will issue bonds, which the New Mexico Finance Authority will purchase through its Public Project Revolving Loan Fund (PPRF). Debt service to cover principal and interest payments throughout the life of the bond, which is not to exceed twenty years, will be paid monthly from Cigarette Tax revenues as distributed by the Taxation and Revenue Department to the NMFA. The Cigarette Tax Revenue fund will see a decrease of approximately $125,000 per year to cover the debt service payments of the $1.5 Nor-Lea Cancer Center Bonds.

SIGNIFICANT ISSUES

NMFA:

In order to project the stability of principal and interest repayment, it is estimated that the revenue generated by the cigarette tax revenue fund will decline approximately 3 percent per year over the life of bonds.

Under the same authorization, the Gila Regional Cancer Center was funded in August, 2007 utilizing the same 1% distribution of Cigarette Tax revenue in the amount of $3 million. Due to the fact that the Gila Regional Cancer Center debt service schedule was structured under the assumption that there is an annual 3% decline in revenue generated from the Cigarette Tax Fund, the $3 million dollar Gila Regional bond is front-loaded in its structure, thus having the maximum debt service payment of $304,964 in 2009 and declining in the subsequent years for the life of the bonds at the anticipated 3% decline. In fiscal year 2007, the 1% distribution of Cigarette Tax revenue generated a total of $637,953. With Cigarette Tax Bonds requiring a debt service coverage and additional bonds test (ABT) of 150%, the debt structure of the Nor-Lea Bonds may either have to back-loaded or level throughout the life of the bonds so that the annual debt service payments of Gila Regional and Nor-Lea together do not flag any debt service coverage or additional bonds test requirements.

NF/bb