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FISCAL IMPACT REPORT

ORIGINAL DATE 1/28/16
LAST UPDATED 2/05/16 **HB** _____

SPONSOR Campos

SHORT TITLE Department of Health Facilities Funding **SB** 189

ANALYST Kehoe

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18		
	\$290.0	\$290.0	Recurring (See Fiscal Impact Narrative)	Department of Health Cigarette Tax Revenue Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to House Bill 219

SOURCES OF INFORMATION

LFC Files
 Department of Health (DOH)
 General Services Department (GSD)
 New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

Senate Bill 189 amends the New Mexico Finance Authority Act, Section 6-21-6.10, to authorize the New Mexico Finance Authority (NMFA) to issue cigarette tax revenue (CTR) bonds in an amount not to exceed \$5 million for Department of Health (DOH) facilities. The net proceeds from the sale of the bonds are for land acquisition and to plan, design, construct, and equip Department of Health (DOH) facilities.

FISCAL IMPLICATIONS

The estimated CTR revenue projections for FY17 and FY18 approximately \$290 thousand, are based on bond debt service for a \$5 million maximum project using NMFA public project revolving fund interest rates as of January 22, 2016. The cigarette tax revenue bonds issued for DOH facilities are secured and repaid by the department's 3.74 percent distribution of cigarette tax revenues pursuant to Section 7-1-6.11 NMSA 1978.

The DOH requested \$26 million in 2016 to address patient health and safety issues impacted by aged infrastructure and a backlog of repairs at facilities statewide and to complete the final phase of constructing the Meadows long-term care facility at the New Mexico Behavioral Health Institute (NMBHI) 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.

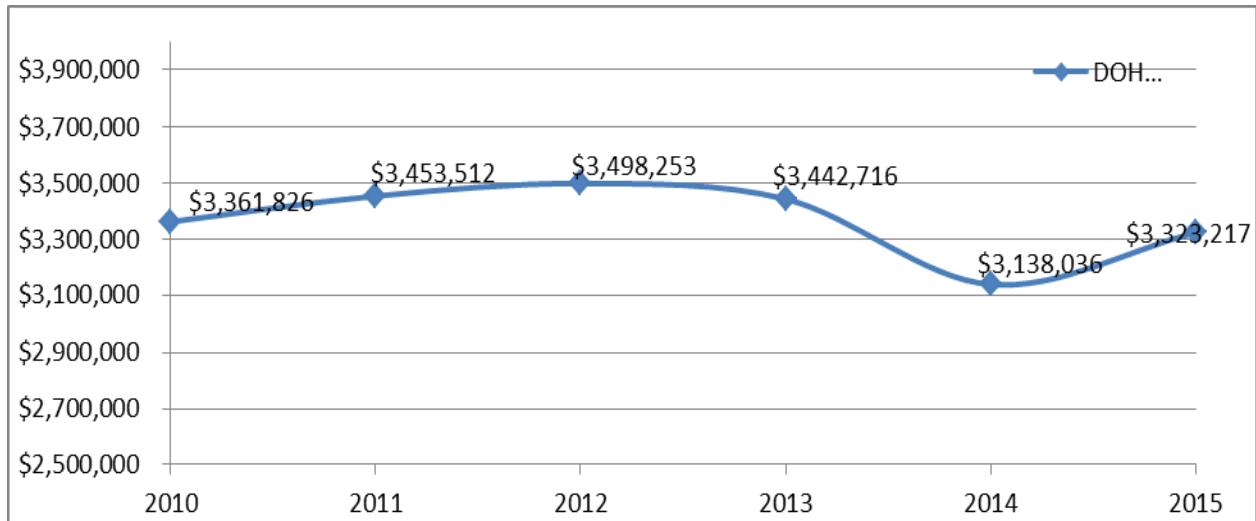
The NMBHI long-term care facility is dually certified through Medicare and Medicaid as a skilled nursing facility and provides 24-hour nursing care for the most difficult nursing home residents, including those who are behaviorally challenged and suffer from mental illnesses requiring specialized care. The authorization in this bill in addition to the \$16 million appropriated by the Legislature and approved by the governor in the 2015 Special Session will provide sufficient funding for completion and for to provide the required safety and operational equipment.

As provided by NMFA, the following table illustrates previous cigarette tax revenue bonds that the NMFA has issued for DOH facilities (Series 2008A, 2008D, and 2012A are still outstanding):

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

NMFA assumes that cigarette tax revenue is a declining revenue stream and, historically, structures a 3% decline when projecting cigarette tax revenue available for debt service on the bonds. Based on the last five-year CTR revenue generation, NMFA considers CTR to be a moderately volatile revenue stream. There must be sufficient capacity within the 3.74 percent DOH cigarette tax revenue distribution to support the additional debt service of the proposed new bonds when the certification of need is activated by the cabinet secretary of DOH.

Revenue generation for the DOH distribution of CTR for the last five completed fiscal years is as follows:



SIGNIFICANT ISSUES

The NMBHI is currently providing nursing home services in two separate buildings, the new section of Meadows and in another building one-half mile away. It 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.

Phase 1 of Meadows received a Leadership in Energy and Environmental Design Gold (LEEDS) certificate for its design, energy efficiency and water-conservation in August 2013. Phase 2 increased bed capacity by 72 and DOH was able to close and demolish the “old” facility, built in 1948.

ADMINISTRATIVE IMPLICATIONS

Historically, DOH cigarette tax revenue bonds have been purchased by NMFA’s public project revolving fund (PPRF) and have followed PPRF rules and loan management policies.

RELATIONSHIP

House Bill 219 proposes \$9.2 million for DOH facilities statewide, including \$5 million to complete construction of the Meadows long-term care nursing facility. The authorization in this bill could assist in subsidizing funds to equip and furnish the facility and to address other critical health and safety issues not funded in the bill.

LMK/jo/al