

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov).

FISCAL IMPACT REPORT

SPONSOR Matthews/Hochman-Vigil/Castellano/Trujillo/Sariñana ORIGINAL DATE 1/25/022 LAST UPDATED 1/31/22 HB 97

SHORT TITLE Rural Health Care Projects Loans SB _____

ANALYST Taylor

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY22	FY23		
	\$7,500.0	Recurring	Rural Healthcare Project Revolving Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of Bill

House Bill 97, Rural Health Care Projects Loans, appropriates \$7.5 million from the general fund to the rural healthcare project revolving fund. This fund is created in the bill.

The New Mexico Finance Authority (NMFA) is responsible for receiving and reviewing rural health care loan applications. It is required to adopt rules governing the project eligibility and loan disbursement requirements. NMFA may consult with other agencies to evaluate loan applications, but it is responsible for making final determinations.

Health care loans are limited to a maximum of \$500 thousand and may only be used for the planning, development and operation of a rural health care project, which is defined as a business entity that provides health care services to individuals within a rural community, as determined by the NMFA. Loan terms are determined by the NMFA in coordination with the rural health care provider, but may not exceed 10 years. The loan interest rate is equal to one half of the Wall Street Journal prime rate. In the first two years after the date of the loan, the NMFA will require interest only payments. In subsequent years, payments on the outstanding principal and interest are due on a schedule determined by NMFA. There is no prepayment penalty. Loan repayments of principal and interest are to be deposited in the rural health care project revolving fund. NMFA is authorized to invest money in the fund that is not needed for immediate disbursement.

The effective date of this bill is July 2022.

FISCAL IMPLICATIONS

The bill appropriates \$7.5 million from the general fund to the rural healthcare project revolving fund for expenditure in FY23 and subsequent years. The bill stipulates that any unexpended or unencumbered balance remaining shall not revert to the general fund.

The appropriation contained in this bill is a recurring expense to the general fund. Although HB97 does not specify future appropriations, establishing a new grant program could create an expectation that the program will continue in future fiscal years, therefore this cost is scored as recurring.

SIGNIFICANT ISSUES

NMFA notes that the bill does not specify how projects are to be prioritized. That could be done based on a first come, first serve basis, or by criteria from NMFA's rule making process and policies.

NMFA indicates that an interest rate of one-half of the Wall Street Journal prime rate will be insufficient to cover administrative expenses and would eventually result in a reduction in the corpus of the fund.

PERFORMANCE IMPLICATIONS

HB97 requires NMFA to submit a performance report before October 1, 2023 and each October 1 thereafter to Department of Health, Human Services Department, Legislative Finance Committee, New Mexico Finance Authority Oversight Committee, the Legislature and any other appropriate legislative interim committee.

The performance report must include the total number of loan applications, the total number of loans made, the average and median amounts of money provided to loan recipients, the total amount of principal and interest repaid, the total number and the amounts of loans that are delinquent or in default, the total number of loan recipients that have filed for bankruptcy or are in the process of filing, the total number of full-time and part-time employees employed by loan recipients, and an overview of the communities served. Information obtained by NMFA regarding loan applicants and recipients is confidential, except that NMFA is not prohibited from disclosing broad demographic information and information relating to the total amount of loans made, the total outstanding balance of loans made and the names of loan recipients.

NMFA notes it has experience and is competent with this type of lending.

ADMINISTRATIVE IMPLICATIONS

The bill allows NMFA to recover reasonable administrative costs associated with evaluating, processing, originating and servicing loans. NMFA notes that these will depend on demand for loans from the fund. They also report the cost of administering the fund will likely exceed the interest income from loans, and that they will need to cover these costs from the fund's corpus.

TECHNICAL ISSUES

NMFA notes that the bill’s reference to “employees who own equity” may be problematic because equity owners often are not considered employees. They suggest an amendment that only references compensation for equity owners be limited to 20 percent of the loan proceeds.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

NMFA reports that 2021 Health Care Workforce Report indicated that New Mexico continues to have pronounced health care deserts, which disproportionately impacts rural communities. They say that “failure to pass HB97 may limit access to affordable capital to rural health care providers.”

BT/al/acv