



Special Purpose Programs and Recent Legislative Changes

NMFA Oversight Committee

August 26, 2019



NMFA Cigarette Tax Distributions and Bonding Programs Overview

- University of New Mexico Health Sciences Center
- Department of Health
- Credit Enhancement Account
- Rural County Cancer Treatment Fund
- Primary Care/NMFA Administrative (Fulfilled and rededicated back to General Fund)
- HB 6
- State Building Bonds
- Energy Efficiency Bonds
- Bernalillo County Metro Court Bonds
- Other Stand Alone Bonds
- HB 479





UNM HSC Cig Tax Bonds

- Through the 2003 (SB 804) and 2005 (SB 935) regular sessions, the Legislature authorized NMFA to issue \$75 million of cigarette tax revenue bonds on behalf of the University of New Mexico ("UNM") Health Sciences Center ("HSC") for the expansion and improvement of the UNM Cancer Center, as well as other UNM Hospital improvements.

- Pursuant to the authorization, NMFA original issued the following bonds as stand-alone bonds in the public market:
 - Series 2004A- \$39,035,000 (Fixed Rate)
 - Series 2004B- \$10,000,000 (Variable Rate)
 - Series 2005- \$23,630,000 (Fixed Rate)

- The Credit Enhancement Cig Tax Revenue Distribution goes to Credit Enhance UNM Cig Tax Bonds and DOH Cig Tax Bonds prior to clearing to the General Fund.





UNM HSC Cig Tax Bonds

- From the time the UNM HSC Stand Alone Cig Tax Bonds were issued in 2004 and 2005, the PPRF continued to mature and strengthen as a program, receiving various credit rating upgrades in its senior and subordinate liens.
- In 2008, the interest rate environment shifted to where significant savings could be achieved by fixing out the Series 2004B Variable Rate Bonds. The PPRF was utilized to eliminate the variable interest rate exposure and lock-in on fixed PPRF established interest rate over the remaining term.
- In 2016, the Series 2004A and Series 2005 were refunded into the PPRF. Taking advantage of the PPRF's ratings and pricing, the refunding achieved over net present value savings of 19.7% (\$5.18 million in total npv savings through bond term).
- The 2016 UNM HSC Cig Tax Refunding Bonds are the only outstanding bonds remaining related to this specific cig tax distribution and are scheduled to mature June 1, 2025.





Department of Health Cig Tax Bonds

- The 2003 Legislature authorized a dedicated distribution of cig tax to DOH to construct and make improvements to DOH facilities. Over time, the Legislature has also authorized various bonds to be issued for DOH facilities.
- DOH Cig Tax Bonds also enjoy credit enhancement from the Credit Enhancement Cig Tax Distribution.
- Since DOH Cig Tax Bonds began being issued in 2006, the PPRF has been utilized to purchase all the revenue and refunding bonds issued.
- Currently, there are three series of DOH Cig Tax Bonds outstanding with Series 2008D scheduled to be redeemed on September 13, 2019:

Series	Principal Issued	Principal Outstanding	Issue Date	Call Date	Maturity Date
Series 2008D	\$11,545,000	\$5,145,000	11/13/2008	06/01/2019	06/01/2028
Series 2012A	\$8,975,000	\$7,945,600	03/09/2012	06/01/2022	06/01/2037
Series 2018	\$5,120,000	\$4,540,000	11/02/2018	06/01/2028	06/01/2028



Department of Health Cig Tax Bonds

2007 Amendment to DOH Cig Tax Act (2003 Original Authorization)	Authorized Project Fund	Issued Project Fund	Unissued
Southern New Mexico Rehabilitation Center			
2006 DOH Southern Rehab CTR Bonds		\$ 1,000,000	
2008 DOH Southern Rehab CTR Bonds		\$ 11,300,000	
Totals	\$ 12,300,000	\$ 12,300,000	\$ -
Las Vegas Meadows Facility			
2006 DOH Las Vegas Meadows CTR Bonds		\$ 1,000,000	
2008 DOH Las Vegas Meadows CTR Bonds		\$ 1,100,000	
2012 DOH Las Vegas Meadows CTR Bonds		\$ 8,900,000	
Totals	\$ 11,000,000	\$ 11,000,000	\$ -
State Laboratory Facility in Bernalillo County			
2008 DOH State Lab CTR Bonds		\$ 13,700,000	
Totals	\$ 13,700,000	\$ 13,700,000	\$ -
Sequoyah Medical Center in Albuquerque in Bernalillo County			
2008 DOH Sequoyah CTR Bonds		\$ 85,000	
2009 DOH Sequoyah CTR Bonds		\$ 915,000	
Totals	\$ 1,000,000	\$ 1,000,000	\$ -
Alzheimer's Unit in Truth or Consequences in Sierra County			
2008 DOH Alzheimer CTR Bonds		\$ 510,000	
Totals	\$ 1,000,000	\$ 510,000	\$ 490,000
Total DOH CTR Bonds per 2007 Authorization	\$ 39,000,000	\$ 38,510,000	\$ 490,000
2016 DOH Cig Tax Authorization			
2016 DOH Las Vegas Meadows CTR Bonds		\$ 3,000,000	
Total DOH CTR Bonds per 2016 Authorization	\$ 5,000,000	\$ 3,000,000	\$ 2,000,000



Rural County Cancer Treatment Fund

- The 2003 Legislature authorized a dedicated distribution of cigarette tax to the Rural County Cancer Treatment Fund, a fund designed to support cancer treatment centers located in Class B counties.
- The 2006 Legislature authorized the first series of bonds to issued for the cancer center at Gila Regional Medical Center for \$3 million.
- Gila Regional Medical Center in Grant County and Nor-Lea in Lea County are the only two cancer centers to receive funding authorization from the Legislature.





Rural County Cancer Treatment Fund

- The 2019 Legislature passed HB 558 in the regular session which authorized \$1.25 million from the RCCF, in either bond or appropriation funding, to the Gila Regional Medical Center for IT equipment, renovations to the chemotherapy clean room, and for a positron emission tomography (“PET”) scanner.
- Legislative RCCTF authorizations include:

Year	Entity	Amount
2007	GRMC	\$3,000,000
2008	Nor-Lea	\$1,500,000
2013	GRMC	\$2,250,000
2013	Nor-Lea	\$750,000
2019	GRMC	\$1,250,000

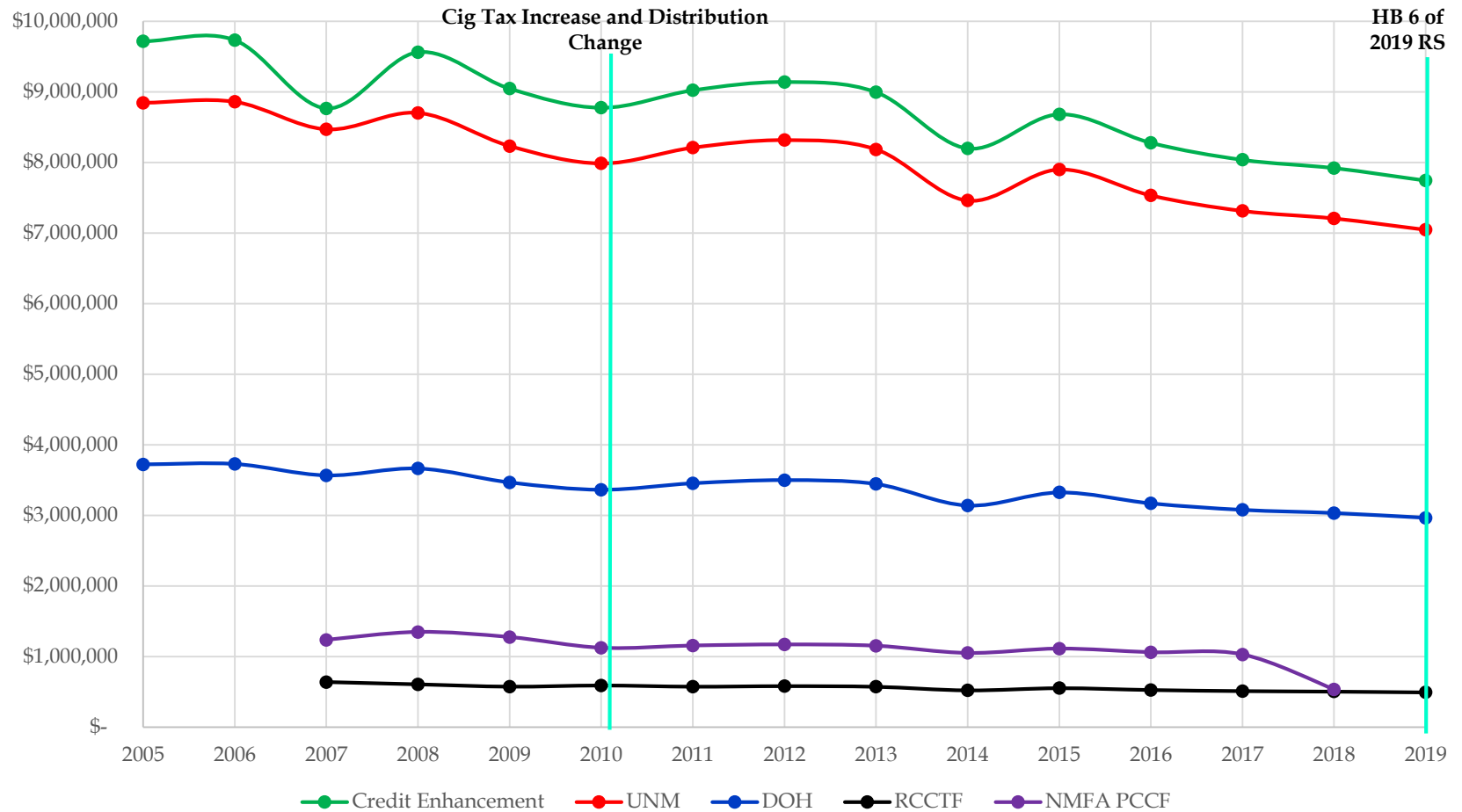


NMFA Cig Tax Revenue

- NMFA received a dedicated distribution of cig tax revenue (1.25%) to support certain bond issuances and for its operations.
- In 2002, the distribution was used to appropriate \$2 million in grant funds and to issue \$2 million in bonds, placed in the PPRF, for the UNM Law Library. The PPRF loan has been paid off.
- SB 52 of the 2005 regular session authorized the issuance of Behavioral Health Cig Tax Bonds pursuant to the Behavioral Health Capital Funding Act. The Series 2006 Behavioral Health Bonds in the amount of \$2.5 million to help capitalize NMFA's Behavioral Health Capital Fund program. The Series 2006 Bonds have been defeased.
- As part of the State's solvency, the NMFA turned back the 1.25% pursuant to HB 6 of the 2017 Regular Session so it could be re-dedicated to the General Fund.



NMFA Cig Tax Revenues for Bonding





House Bill 6- Tax Changes

- The 2019 Legislature passed HB 6 during the regular session.
- Among other things, HB 6 increased the cigarette tax to \$0.10 per cigarette, reducing the tax on cigars to \$0.50 per cigar, and bringing e-cigarettes and e-liquids into the tobacco products tax base.
- HB 6 also changed the cig tax distributions to the various beneficiaries:

Beneficiary	Previous Distribution	New Distribution
UNM Cancer Center	0.83%	0.71%
NMFA UNM HSC	8.89%	7.52%
DOH	3.74%	3.07%
Credit Enhancement	9.77%	8.26%
RCCTF	0.62%	0.53%



House Bill 6- Tax Changes

- HB 6 also modified the GRT exemption enjoyed by for-profit, non-profit, and governmental hospitals so that 40% of the hospital's gross receipts (50% deduction for for-profit hospitals) are subjected to the state portion of GRT and GGRT, leaving a 60% deduction.
- The change in Hospital Tax Reform both helps and hurts the PPRF:
 - Gains in State GRT have a positive financial impact to certain Special Purpose Programs operated by NMFA (State Building Bonds, Energy Efficiency Bond Act), as well as the PPRF loans that have been made that are secured by State GRT.
 - Gains in GGRT have a positive financial impact to the PPRF program and increase overall capacity for new loans.
 - Loans made by NMFA to hospitals are negatively impacted as hospitals will be under greater financial strain with the new GRT and GGRT requirements.
- Changes in internet sales taxation will also positively impact NMFA by strengthening the local government GRT pledges and overall debt capacity over time.



State Building Bond Act

- The Legislature finds that the expense of leasing office space for state occupancy has grown to the point where the State would be better served if more state-owned facilities were acquired.
- The 2002 Legislature enacted the State Building Bond Act as a tool purchase, construct and renovate state buildings. The Act originally contemplated a \$100 million bond capacity to live within a \$530 thousand monthly (\$6.36 million annual) State GRT distribution.
- The 2009 Legislature amended the Act to authorize bonds to be issued for the Executive Office Building, thereby increasing the total amount of bonds outstanding to \$115 million to live within a monthly \$680 thousand monthly (\$8.16 million annual) State GRT distribution for bond debt service.
- The first series of State Building Bonds was issued by NMFA in 2002 in the amount of \$34.7 million as a stand alone bond in the public market.
- As the PPRF grew as a program and credit ratings improved, the PPRF turned to be the most attractive and cost effective vehicle for placing State Building Bonds. All bonds issued after the Series 2002A Bonds, including both new revenue and refunding bonds, have been placed with the PPRF.



State Building Bond Act

- State Building projects issued for include:
 - Acquisition of the National Education Association Building;
 - West Capitol Complex on Cerrillos Road;
 - Purchasing land adjacent to the District Five Office of the New Mexico State Highway and Transportation Department on Cerrillos Road;
 - Acquisition of the PERA Building;
 - Acquisition of the Coughlin Building;
 - Central Campus Parking Structure;
 - State Laboratory;
 - Executive Office Building (Master Planning);
 - CYFD Building (SB193 of 2018).

- Four series of State Building Bonds remain outstanding with the Executive Office Building as the only authorized project yet unissued.





Energy Efficiency and Renewable Energy Bond Act

- The Energy Efficient and Renewable Bonding Act created by the 2005 and enacted as a tool to promote and finance renovations and improvements to state agencies, universities and public school buildings that are designed to reduce energy consumption or operating costs.
- The Act authorizes the an amount not to exceed \$20 million of Energy Efficiency Bonds outstanding at any one time.
- Energy projects must have an energy audit performed that analyzes what measures can be taken to create energy savings and the costs associated. Energy audits are reviewed and approved by the NM Energy, Minerals, and Natural Resources Department.
- The Energy, Minerals and Natural Resources Department must certify the need to issue Energy Efficiency Bonds based on the energy audit results.
- Though secured by the State Gross Receipts Tax, Energy Efficiency Bonds are repaid the annual budgeting process by withholding 90% of the annual certified energy savings from the requesting entity's budget.



Energy Efficiency and Renewable Energy Bond Act

Outstanding Bond Principal as of 8/22/2019

Series 2009 DCA Bonds	\$ 38,735
Series 2012A Socorro CSD Bonds	\$ 254,070
Series 2012B Mountainair PSD Bonds	\$ 215,511
Series 2016A Santa Fe PSD Bonds	\$ 2,763,054
Series 2018A Santa Fe PSD Bonds	\$ 961,781
Series 2019A Texico MSD Bonds	\$ 404,547
Series 2019B GSD Green Bonds	\$ 11,500,000
Series 2019C Socorro CSD Bonds	\$ 3,507,034
Total	\$ 19,644,732
Statutory Principal Bond Capacity	\$ 20,000,000
Less Outstanding Bond Principal as of 8/22/2019	\$ (19,644,732)
Current Available Capacity	\$ 355,268

➤ Max Annual Debt Service paid by State GRT: \$1,914,259 in 2033



Bernalillo County Metropolitan Court Bonds

- The 2001 Legislature authorized the creation of the Metropolitan Court Act and the Parking Facilities Act, both which authorized the NMFA to issue revenue bonds secured by amounts distributed from the Court Facilities Fund.
- The Court Facilities Fund receives deposits from the Administrative Office of the Courts of revenue generated from Court Facility Fee Revenue which includes fees from:
 - Supreme Court
 - Court of Appeals
 - Metro Court
 - District Courts
 - Magistrate Courts
 - MVD
 - Metro Park Shops Rental Income
 - Metro Park Parking Facility Parking Revenues

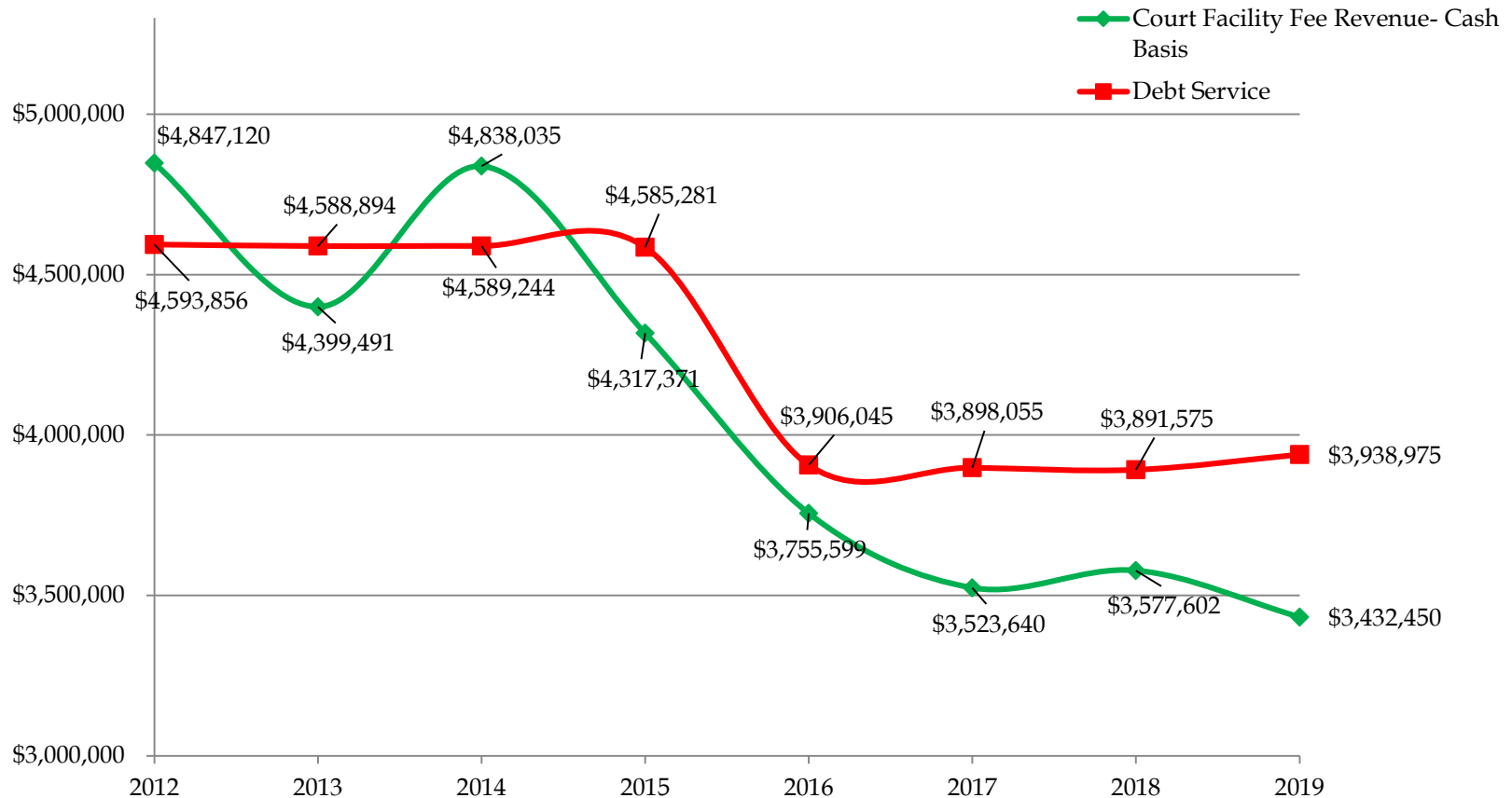


Bernalillo County Metropolitan Court Bonds

- The Bernalillo County Metro Court Bonds are also credit enhanced with monies on deposit in the Credit Enhancement Fund. The Credit Enhancement Guarantee Fund was funded by fees charged and received from 2009 to 2013 on Red Light Camera citations. Current balance is around \$5.2 million.
- The following is the history of Bernalillo County Metro Court Bonds issued to date:

Bernalillo County Metro Court	Series 2001A	Stand Alone	8/1/2001	\$ 21,600,000	\$ -	Refunded PPRF 2005C
Bernalillo County Metro Court	Series 2001B	Stand Alone	8/2/2001	\$ 11,400,000	\$ -	Refunded PPRF 2005D
Bernalillo County Metro Court	Series 2002	Stand Alone	8/22/2002	\$ 24,900,000	\$ -	Refunded PPRF 2005C
Bernalillo County Metro Court	1576-PP	PPRF	11/14/2003	\$ 3,900,000	\$ -	Refunded PPRF 2005C
Bernalillo County Metro Court	Series 2005C	PPRF	3/2/2005	\$ 50,395,000	\$ -	Refunded PPRF 2015A (3268-PP)
Bernalillo County Metro Court	Series 2005D	PPRF	3/2/2005	\$ 8,660,000	\$ -	Paid Off
Bernalillo County Metro Court	Series 2015A (3268-PP)	PPRF	4/8/2015	\$ 30,685,000	\$ 19,945,000	6/15/2025

Bernalillo County Metropolitan Court Bonds





Other Notable Stand Alone Bonds

- Series 1996 Court Automation Fee Bonds- \$8.5 million
- Series 1996 Court Automation Fee Bonds- \$3.5 million
- Series 1996 Workers Compensation Building Bonds- ~\$2.1 million
- Series 1996 Workers Compensation Building Bonds- ~\$4.3 million
- Series 1996 Dept of Insurance Bonds- \$400 thousand
- Series 1999 Dept of Insurance Bonds- \$525 thousand
- Series 1997A TRIMS Bonds- ~\$17.4 million
- Series 1999A TRIMS Bonds- ~\$16.3 million
- Series 1999 State Capital Building Bonds- ~\$9.3 million



House Bill 479- De-Earmark Local Option GRT

Current Law - Municipalities

Municipal GRT	1.5%	General Purpose	
Hold Harmless GRT	0.375%	General Purpose	
Municipal Infrastructure GRT	0.25%	Earmarked	} Earmarked
Capital Outlay GRT 23% of capacity	0.25%		
Environmental GRT	0.0625%	Earmarked	

Total: 2.4375%

2.0625% No Referendum
0.3750% Referendum req.

What about Economic development? Mental Health? Education Facilities? Etc?

Proposed De-Earmarking - Municipalities

Municipal GRT	2.50%	General Purpose
		2.05% No Referendum 0.45% Referendum req.

Some special increments that are only available to a specific municipality (e.g. Quality of Life GRT → Cuba, Supplemental GRT → Raton, Ruidoso). These special increments are not impacted by this bill. These special increments simply add on top of the new consolidated Municipal GRT, like they do now.

Current Law - Counties

	County-wide	Outside city	
County GRT	0.521%		General Purpose
Hold Harmless GRT	0.375%		General Purpose
Infrastructure GRT Earmarked		0.125%	} 49% of capacity
Environmental GRT Earmarked		0.125%	
Fire Protection GRT Earmarked		0.250%	
County Correctional GRT Earmarked	0.125%		
Capital Outlay GRT	0.250%		Earmarked

Total: 1.271%

0.500% → 0.125% No Referendum
0.375% Referendum req.

1.021% No Referendum
0.250% Referendum req.

Proposed De-Earmarking - Counties

	County-wide	Outside city	
County GRT purpose	1.25%	0.50%	General Purpose
	1.00% No Referendum 0.25% Referendum req.	0.12% No Referendum 0.38% Referendum req.	

Some special increments that are only available to a specific county (e.g. Education → Taos) or are for non-county operations (e.g. Regional Spaceport → Sierra, Dona Ana; County Health Care → All Counties for Medicaid). These special increments are not impacted by this bill. These special increments simply add on top of the consolidated County GRT, like they do now.



House Bill 479- De-Earmark Local Option GRT

- Over time, HB 479 should increase overall capacity for local governments to get capital projects done.
- Changes to local enacting ordinances still control and need to be considered by local governments.
- Hidalgo County closed on Friday, August 23rd on the refunding of its 2008 Detention Center Loan; first loan PPRF has funded to directly benefit from HB 479 flexibility due to the changes of County Correctional GRT (HB 479 was able to supersede the effects of HB 156).
- Questions about size of % of future imposed GRT by municipalities and counties that may not be done in traditional increment sizes; may be clarifying change coming up in upcoming session.
- TRD reporting may get difficult to read and track (i.e. tax tables).



Other Legislative Bills

- HB 241: PPRF Legislative Authorization Bill
- HB 156: County Correctional Facility GRT Changes; vetoed for HB 479
- HB 157: County Emergency Communication and Medical Tax Changes
- HB 124: State Fire Protection Fund Changes
- SB 165: Municipal Revenue and Refunding Bond Changes



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