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FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/06

SPONSOR Sandoval LAST UPDATED _____ HB 197

SHORT TITLE Revenue Bonds for Department of Health Facilities SB _____

ANALYST Kehoe

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
NFI	NFI	NFI	NFI

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

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

SUMMARY

Synopsis of Bill

House Bill 197 clarifies the purpose for which certain revenue bond proceeds authorized in the 2005 Legislature may be used by the Department of Health for its facilities.

SIGNIFICANT ISSUES

The Legislature in 2005 passed two major bills authorizing the expenditure or issuance of bonds for the purpose of funding new construction or for making improvements to DOH facilities identified as critical to correct substandard conditions or to address licensing and certification issues to provide for a safe and comfortable environment for patient care. The proceeds of the bonds were authorized for the following purposes and amounts: \$10.3 million for improvements at the Southern New Mexico Rehabilitation Center, \$11 million for improvements at the Las Vegas Medical Center, \$4 million for improvements at Fort Bayard Medical Center, and an additional \$13.7 million for construction of the new state laboratory facility.

During the interim it was determined by the Board of Finance, based on an “advice letter” from the Attorney General, that the language provisions in the 2005 legislation was too narrow to allow the bonds to be issued for DOH to proceed with the type of expenditures needed to proceed

with the projects authorized by the Legislature.

House Bill 197 amends the 2005 legislation to broaden the language from “improvements” to “capital projects” for the capital outlay authorized at Southern New Mexico Rehabilitation Center, New Mexico Behavioral Health Institute in Las Vegas, and the Fort Bayard Medical Center.

FISCAL IMPLICATIONS

House Bill 197 does not impact the general fund or any other funds.

Chapter 320 authorized NMFA to issue and sell revenue bonds in an amount not to exceed \$39 million for improvements to DOH facilities. The current 6.11% distribution of cigarette tax deposited in the credit enhancement account administered by NMFA, less the amount needed for debt service totals approximately \$3.7 million annually and is pledged for repayment of the bonds. The bill allowed NMFA to secure the authorized cigarette tax bonds with a lien of the public project revolving fund which would have to be exercised if any more than approximately \$25 million in bonds are issued in current interest rate environments.

Laws 2005, Chapter 347 (House Bill 885) contained additional funding for the state laboratory building. The Board of Finance was authorized to issue and sell short-term severance tax bonds in an amount not to exceed \$17 million for the new facility. The total available funding for the state laboratory building appropriated from 2002 to 2005 is \$57.4 million including expenditures of \$2.5 million and 2005 for plan and design work. The bill appropriated an additional \$1 million for infrastructure repairs and renovation at DOH facilities statewide.

LMK/mt