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

SPONSOR Candelaria **ORIGINAL DATE** 02/16/21 **LAST UPDATED** 03/18/21 **HB**

SHORT TITLE Cigarette Tax Distributions **SB** 223/aHAFC

ANALYST Valenzuela

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY21	**FY22**		
	$22,000.0	Nonrecurring	UNMHSC Capital Projects Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY21	**FY22**	**FY23**		
$6,681.7	$6,548.1	$6,417.4	Recurring	Cigarette Tax Distribution to UNM HSC*

(Parenthesis ( ) Indicate Revenue Decreases)

*Cigarette tax revenues have been declining annually and could be lower than reported in the revenue table. Assumes a 2 percent annual decline.

Conflicts with HB167

SOURCES OF INFORMATION

LFC Files

Responses Received From
New Mexico Finance Authority (NMFA)
University of New Mexico (UNM) Health Sciences Center (HSC)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee (HAFC) amendment to Senate Bill 223 (SB223) removes provisions of the original bill that would have allowed the Comprehensive

Cancer Center to continue receiving distribution of cigarette taxes after bonds have been paid off. By eliminating those provisions, the state general fund will receive the cigarette tax distributions after bonds have been paid off.

Synopsis of Original Bill

Senate Bill 223 (SB223) authorizes the New Mexico Finance Authority (NMFA) to issue an additional $22 million in cigarette tax revenue bonds for the purpose of completing the final phase 2 expansion at the UNM Comprehensive Cancer Center. The bonds will be paid off from cigarette tax revenues received by the Cancer Center. In addition, the bill would allow the Cancer Center to continue receiving cigarette tax revenues after bonds are fully deceased. The bill cleans up inaccurate statutory references in the cigarette tax distributions or other statutes which reference the distributions.

FISCAL IMPLICATIONS

SB223 authorizes issuance of revenue bonds to be repaid from an existing distribution of cigarette tax revenues. The proceeds of the bond issuance are appropriated to UNM's Comprehensive Cancer Center to fund its phase 2 expansion.

UNM's Comprehensive Cancer Center receives two distributions from cigarette taxes, which generates approximately $6.9 million each year. From these revenues, the Cancer Center pays off existing debt and uses the excess revenue to help fund its operations. Based on the Cancer Center's direction, NMFA anticipates structuring the new bond issuance for up to 10 years for final payoff. The Cancer Center estimates it will pay approximately $4.1 million annually on average for outstanding bonds. The bill will have a future impact on the general fund. According to current law, after bonds are paid off, the cigarette tax revenues would revert to the state general fund.

Strong underlying bond ratings at the UNM Health Science Center matched with the NMFA high credit quality should afford an exceptionally positive financing, allowing the bonds to be financed at a low cost.

SIGNIFICANT ISSUES

The project, a $28.6 million total construction cost, would expand the Ambulatory Cancer Treatment and Clinical Research Facility, furthering the state's investment in cancer treatment technology and assuring state-of-the-art cancer care for all New Mexicans. The Cancer Center reports on the key aspects of the expansion project include:

1. **Expansion of New Radiation Oncology Treatment Programs**. Currently, the UNMCCC facility has the capacity to treat 75 patients per day, but the demand is 95 patients per day. The project will renovate one radiation oncology vault and construct a new vault. It will also support the purchase of a new state-of-the-art stereotactic radiosurgery instrument (CYBERKNIFE) and a less expensive, high volume radiation oncology linear accelerator to deliver a high volume or more rapid standard treatment to meet patient volumes.

2. **New Good-Manufacturing-Practice (GMP) Laboratory for Targeted Radioisotopes**:

An emerging field, rather than delivering radiation therapy through external beam, new targeted radioisotopes are being developed that can be injected intravenously in patients (in special lead-lined shielded suites) or delivered intra-body through interventional radiology procedures.

3. **GMP Laboratory for Stem Cell and Bone Marrow Transplantation and Cell-Based Products and Vaccines for Cancer Immunotherapy**. The Cancer Center has developed New Mexico's only accredited program for Bone Marrow and Stem Cell Transplantation and for delivery of the new cancer immunotherapies and cancer vaccines. Accredited by the Federation for Accreditation of Cellular Therapies (FACT), the UNMCCC will offer cancer immunotherapies and cancer-targeted vaccines to New Mexicans.

MFV/rl/sb/al/rl