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## FISCAL IMPACT REPORT

**LAST UPDATED** \_\_\_\_\_  
**ORIGINAL DATE** 1/22/23

**SPONSOR** Matthews

**BILL**

**SHORT TITLE** Rural Health Care Project Revolving Fund **NUMBER** House Bill 47

**ANALYST** Esquibel

### APPROPRIATION\* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
	\$7,500.0	Nonrecurring	General Fund

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent version of this legislation.

### REVENUE\* (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
	\$7,500.0		Nonrecurring	Rural Health Care Project Revolving Fund
		\$250.0	Recurring	Rural Health Care Project Revolving Fund

Parentheses ( ) indicate revenue increases.  
 \*Amounts reflect most recent version of this legislation.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>NMFA admin costs</b>		\$375.0	\$125.0	\$500.0	Recurring	Rural Health Care Project Revolving Fund
<b>HSD admin costs</b>		\$7.7	\$7.7	\$15.4	Recurring	General Fund
<b>DOH admin costs</b>		\$156.2	\$156.2	\$312.4	Recurring	General Fund
<b>Total</b>		\$538.9	\$288.9	\$827.8	Recurring	Rural Health Care Project Revolving Fund, General Fund

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent version of this legislation.

Relates to Senate Bill 7, Rural Health Care Delivery Fund.

## Sources of Information

LFC Files

### Responses Received From

New Mexico Attorney General (NMAG)  
Department of Health (DOH)  
Human Services Department (HSD)  
New Mexico Finance Authority (NMFA)  
New Mexico Medical Society (NMMS)  
Office of Superintendent of Insurance (OSI)

## SUMMARY

### Synopsis of House Bill 47

House Bill 47 (HB47) would appropriate \$7.5 million from the general fund to create the rural health care project revolving fund within the New Mexico Finance Authority (NMFA) to issue loans to rural health care providers.

Under the provisions of the bill, NMFA would be responsible for:

- promulgating rules governing loan eligibility, loan applications, and loan disbursement;
- receiving and reviewing loan applications, though NMFA may consult with the Department of Health (DOH) and Human Services Department (HSD);
- issuing loans to qualifying providers when funds are available and the provider meets criteria;
- disbursement, deposit, or investments of funds received in the same manner as other funds administered by NMFA; and
- submitting an annual report providing details of the loans made.

Loans issued pursuant to the rural health care project revolving fund are:

- capped at \$500 thousand per loan;
- used for planning, development, and operations of a rural health care project, or purchase of an existing medical practice in a rural community;
- limited to not exceed 10 years;
- required to have an interest rate equal to one half of the Wall Street Journal prime rate, which will not accrue during the first year of the loan;
- required to have interest only payments for the first two years of the loan;
- subject to principal and interest payments beginning in the third year of the loan on a schedule determined by NMFA; and
- required to deposit payments in the rural health care project revolving fund.

## FISCAL IMPLICATIONS

HB47 would create the rural health care project revolving fund and appropriate \$7.5 million from the general fund to the rural health care project revolving fund. Any unexpended or unencumbered balances would not revert to the general fund. This bill would create a new fund and provide for continuing appropriations. LFC has concerns with including continuing

appropriation language in the statutory provisions for newly created funds because earmarking reduces the ability of the Legislature to establish spending priorities.

The New Mexico Finance Authority (NMFA) indicates the fund could generate \$250 thousand in estimated revenue in FY25. The revenue estimate is based on interest-only payments in the first year. NMFA indicates its estimated annual operating budget of \$375 thousand in FY24 to operate the fund was calculated based on actual costs incurred relative to loan volumes deployed on similar NMFA lending programs, relative to the annual recurring appropriation of \$7.5 million. NMFA notes money in the fund can be used to pay reasonably necessary administrative and other costs (see Administrative Implications).

HSD estimates an operating cost of \$7,700 annually and DOH estimates an operating cost of \$156.2 thousand annually to administer the fund in collaboration with NMFA.

## **SIGNIFICANT ISSUES**

The New Mexico Finance Authority (NMFA) reports the proposed rural health care project revolving fund shares similarities with the primary care capital fund created in 1994 and the behavioral health capital fund created in 2004. Both of these funds are administered by NMFA in partnership with the Department of Health and the Human Services Department. The proposed rural health care project revolving fund has a broader mandate in that it may lend to both private nonprofit and private for-profit rural health care providers, and potential uses of loan proceeds include planning, development, and working operating capital.

## **ADMINISTRATIVE IMPLICATIONS**

HB47 would authorize NMFA to adopt rules to administer the fund including rules governing application procedures and requirements for disbursing loans to qualifying rural health care providers for rural health care projects. Application materials submitted to NMFA would be considered confidential and not subject to the Inspection of Public Records Act.

NMFA does not anticipate the need to hire additional staff to administer the fund. NMFA would be required to submit annual reports starting October 1, 2024 to DOH, HSD, the Legislature, the Legislative Finance Committee, the NMFA Oversight Committee, and other appropriate legislative interim committees. The reporting requirements stipulated are consistent with other NMFA program reporting standards.

HSD indicates if the department is engaged in the consultation and review process for loan applications, it would require .03 FTE at a cost of \$7,700 in general fund annually including salary, fringe benefits, and operating costs. DOH estimates it would need an administrative amount of \$156.2 annually. It is possible these amount could be paid for out of the administrative portion of the fund through an agreement between HSD/DOH and NMFA.

## **TECHNICAL ISSUES**

NMFA notes, unlike other healthcare funds it administers, the proposed rural health care project revolving fund may lend to both private nonprofit and private for-profit rural health care

providers for planning, development, and operations. These provisions could conflict with the constitution's anti-donation clause.

## **OTHER SUBSTANTIVE ISSUES**

HSD notes HB47 may improve access to primary and behavioral health in rural communities and assist private nonprofit and for-profit health providers with startup and operating costs. The federal government does not permit Medicaid reimbursements for these costs.

DOH notes all counties in New Mexico are designated health care underserved areas (HCUAs) with the following exceptions: Los Alamos; Bernalillo except for north and south valley, homeless and urban Native American populations; Santa Fe except for Cerrillos/Madrid/Edgewood service area and Santa Fe's west side.

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