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## FISCAL IMPACT REPORT

SPONSOR Pinto ORIGINAL DATE 2/01/16  
 LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Gallup Homeless Shelter SB 219

ANALYST Malone

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
	\$5,000.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$5,000.0	\$0.0	\$5,000.0	Nonrecurring	DFA Special Appropriations

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Indian Affairs Committee (IAC)

Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 219 appropriates \$5 million from the general fund to the Local Government Division (LGD) of DFA for expenditure in FY16 and FY17 for the construction and operation of a homeless shelter in Gallup.

### FISCAL IMPLICATIONS

The \$5 million appropriation is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY17 shall revert to the general fund.

## **SIGNIFICANT ISSUES**

IAD notes that Gallup is a city in McKinley County surrounded by the Navajo Reservation; approximately one-third of its population is Native American, primarily from the Navajo, Hopi, and Zuni tribes. There are presently very limited options for services to the homeless in Gallup, located in the poorest county in New Mexico. Three shelters exist that provide emergency services for the homeless; one is primarily a detoxification center and another mainly provides transitional housing. The third shelter is a small, religious facility. On January 15, 2015, a one-day, one-time count showed 108 homeless living outside, unable to find shelter.

However, DFA reports that the need for a homeless shelter was not identified in the City of Gallup's 2016-2020 Infrastructure Capital Improvement Plan (ICIP). It is unclear if the City has planned for or is ready for the construction and operation of this project.

Typically, funding for construction of capital assets is made available through the capital outlay legislation. The most common source of capital outlay funding available for construction of a homeless shelter is severance tax bond capacity. Construction of a new capital asset is a nonrecurring cost, but appropriating funding from the general fund causes this need to compete with recurring general fund operating expenditures. Bonding capacity may only be used for capital assets, not operating costs, and could not be used to operate the homeless shelter once it was constructed.

The bill does not provide any direction as to how LGD would disburse the funding, where the homeless shelter would be constructed, or how operation and maintenance would continue after FY18.

## **ADMINISTRATIVE IMPLICATIONS**

DFA notes that each year new special appropriations are added for the LGD to administer. The agency is concerned that LGD will struggle to meet its statutory duties and overall mission if its resources are directed towards numerous small special projects.

## **ALTERNATIVES**

The city of Gallup could consider applying for a Community Development Block Grant for this project. CDBG funding is capped at \$500,000. The city would have to identify additional resources to leverage for full project funding.

The funding necessary to construct the homeless shelter could be instead considered in capital outlay legislation.

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