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FISCAL IMPACT REPORT

SPONSOR Leavell **ORIGINAL DATE** 2/20/15 **LAST UPDATED** 3/12/15 **HB** _____
SHORT TITLE Jail Contractor Term Extensions **SB** 459/aSJC
ANALYST Chenier

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications	See Fiscal Implications	See Fiscal Implications	Recurring	

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
Department of Finance and Administration (DFA)

SUMMARY

Synopsis of SJC Amendment

The Senate Judiciary Committee Amendment to Senate Bill 459 would allow for one-year, two year, or three year contract extensions for private independent jail contractors.

Synopsis of Bill

Senate Bill 459 would change Section 33-3-27 NMSA 1978 by allowing for three-year contract extensions for private independent jail contractors. The change would also allow for six contract extensions instead of the current five.

FISCAL IMPLICATIONS

The proposed changes would allow counties to extend contracts with private jail operators for one-year, two-years or three-year periods as opposed to one or two years as it is currently written in statute, presumably allowing counties to reduce costs associated with the procurement process.

SIGNIFICANT ISSUES

DFA provided the following:

The potential fiscal impact on local governments depends on how a contract is written and each contract could potentially be different for each local government. If the contract is based on an occupancy rate and the occupancy rate decreases, the local government may not receive compensation and be contractually required to pay the difference owed

from the local government's general fund. This occurred in Lincoln County when "federal beds" were lost in FY 13-14. Local governments may not be able to anticipate these changes in enough time to modify a contract, or, if they are locked into a longer time frame they may not have any alternative but to abide by the existing contract.

If the contract is not based on an occupancy rate the local government's general fund is not at risk. For example, Torrance County has a private jail contract and it permits "up to" 40 beds. If Torrance County exceeds 40 beds, the County pays a higher rate for the additional beds. However, Torrance County also has a federal contract and the jail contractor actually pays a small percentage to Torrance County for the federal beds filled.

EC/je/bb