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FISCAL IMPACT REPORT

ORIGINAL DATE 3/16/15

SPONSOR SIAC **LAST UPDATED** _____ **HB** _____

SHORT TITLE Public Peace, Safety, Health & Welfare - Gallup **SB** _____

Homeless Shelter **SB** 695/SIACS

ANALYST Malone

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY15	FY16		
	\$5,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$5,000.0	\$0.0	\$5,000.0	Nonrecurring	DFA Special Appropriations

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of SIAC Substitute

The Senate Indian and Cultural Affairs Committee Substitute for Senate Bill 695 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

Typically, funding for construction of capital assets is made available through capital outlay legislation. The most common source of capital outlay funding available for construction of a homeless shelter is severance tax bonding 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 appropriations. 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.

DFA notes that the bill does not provide any direction as to how funding should be disbursed, where the homeless shelter is to be constructed, or how operation and maintenance will continue after FY17, when this funding is due to revert if it has not all been expended.

OTHER SUBSTANTIVE ISSUES

The need for a homeless shelter was not identified in 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.

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.

CEM/je