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FISCAL IMPACT REPORT

ORIGINAL DATE 1/30/2016
SPONSOR Martinez **LAST UPDATED** _____ **HB** _____

SHORT TITLE Bonds for North Central NM Prison **SB** 228

ANALYST Rogers

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
	(\$20,000.0)	Nonrecurring	Severance Tax Bonds

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY16	FY17	FY18		
	\$20,000.0		Nonrecurring	General Services Department

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY20	FY21	FY22	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	(\$6,000.0 - \$10,000.0)	(\$6,000.0 - \$10,000.0)	(\$6,000.0 - \$10,000.0)	(\$18,000.0 - \$30,000.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to and conflicts with SB 115.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administrating (DFA)

General Services Department (GSD)

New Mexico Corrections Department (NMCD)

Responses Not Received From
New Mexico Association of Counties

SUMMARY

Synopsis of Bill

Senate Bill 228 appropriates \$20 million from Severance Tax Bond (STB) capacity to plan, design, construct, equip and furnish a state prison in north central New Mexico.

GSD would be required to certify the need for the project. GSD would be required to certify that at least 5 percent of the proceeds will be obligated within six months of the issuance of the bonds and at least 85 percent of the bond proceeds will be spent within three years. If GSD has not certified the need for the project by the end of fiscal year 2018, the appropriation is void. The unexpended balance of the bonds revert six months after completion of the project but no later than June 30, 2020.

FISCAL IMPLICATIONS

DFA states that the main impacts will be to the Corrections Department (CD) and GSD. Operations of a correctional facility will require additional staff plus funding for operations and maintenance of the facility.

According to NMCD and DFA, the proposed funding would build an approximately 250 bed facility with a staff of approximately 100 FTE. Adding 250 beds to the correctional system would not result in the closing of any of the existing facilities and would require significant costs to operate. Reflecting economies of scale, costs for operating small facilities are higher per prisoner than for larger facilities.

Based on the 2014 Review of Capital Outlay Planning, Spending and Outcomes for the GSD and the NMCD, the benchmark of the average cost of building (financed) new facilities ranges from \$83 thousand per bed to \$142 thousand per bed. NMCD's 2003 ten-year master plan estimated a per bed construction cost of \$55 thousand, or \$71 thousand in 2014 dollars for double bunked housing units. GSD reports the agency was not involved in the development of this new proposed prison and will not be able to immediately certify the bonds. The \$20 million dollars that has been requested will need to be verified by GSD to determine if this is a reasonable amount for the project or if further funding will be needed in the future.

NMCD, according the LFC files, operates the public Springer Correctional Facility at a cost of \$6.1 million per year with a staff of 72 custody and 25 non-custody staff. The LFC estimates that, in addition to the costs associated with building a new prison, that the operating budget of the prison would cost at least \$6 million or more to operate.

SIGNIFICANT ISSUES

NMCD notes the proposed \$20 million will only build a very small prison, perhaps holding about two to three hundred beds. Small prisons have higher inmate per diem rates and are economically inefficient. NMCD would prefer not to operate more small prisons.

GSD was not involved in the development of this project; therefore, GSD will not be able to immediately certify the bonds. The amount requested has not been verified to determine if it is a reasonable amount for the project. GSD also notes that neither the location of the project is identified, nor is the use of funds for land acquisition permitted in SB 228. A project of this magnitude requires planning of not only the project but of the resources available at GSD. An allocation of project management time must be carefully analyzed in order to assure that the project is executed in a manner that provides a product to the state that meets the State's requirements and represents the best value to the state. Currently, GSD does not own any large vacant parcels of land in the northwest region of the State.

In addition to concerns expressed about the construction of the new prison, there are long term issues related to available resources within the surrounding region of proposed project. Discharged and paroled inmates need close access to jobs and to services such as reasonably priced housing, mental health and substance abuse counseling. Greater accessibility to these resources is needed to lower recidivism rates for offenders leaving prison.

NMCD also notes it would have trouble recruiting staff to work at a prison in northwest New Mexico, as there would be a lack of community members living close enough to the prison and/or who would otherwise be willing to work there.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Conflicts with SB 115. SB 115 authorizes the issuances of \$20 million in bonds for construction of a similar scale project in northwest New Mexico, as opposed to this bill which would build the prison in north central New Mexico.

TMR/jo