

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Munoz ORIGINAL DATE 01/27/16
 LAST UPDATED _____ HB _____

SHORT TITLE Northwest NM Prison Tax Bonds SB 115

ANALYST Amacher

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)

SOURCES OF INFORMATION

- LFC Files
- New Mexico Department of Corrections (NMCD)
- New Mexico State Treasurer (STO)
- New Mexico Department of General Services (GSD)

SUMMARY

Synopsis of Bill

Senate Bill 115 authorizes the issuance of \$20 million of severance tax bonds to plan, design, construct, equip and furnish a new state prison in northwest New Mexico. The department of general services (GSD) must certify to the state board of finance the need for the bond proceeds by the end of fiscal year 2018. Unexpended funds shall revert to the severance tax bonding fund no later than six months after completion of the project, but no later than the end of fiscal year 2020.

FISCAL IMPLICATIONS

SB 115 authorizes \$20 million of severance tax bond proceeds, dependent upon certification by the GSD, for a new prison in northwest New Mexico. Both the GSD and the NMCD indicate funds to operate, staff, and maintain this new prison have not been identified. Furthermore, NMCD indicates that if SB 115 is enacted, there would be a direct operational impact on the agency within the next three years in preparation of the certification and bond sale; in addition to the unidentified fiscal impacts in the years beyond to operate a new prison.

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.

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 are economically inefficient because of their poor small economy of scale. NMCD would prefer not to operate even 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 SB115. 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 on 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.

JMA/jo