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FISCAL IMPACT REPORT

SPONSOR <u>Rep. Chatfield/Sen. Woods</u>	LAST UPDATED _____
	ORIGINAL DATE <u>1/29/24</u>
SHORT TITLE <u>Purchase NE Correctional Facility</u>	BILL NUMBER <u>Senate Bill 167</u>
	ANALYST <u>Gaussoin</u>

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$54,000.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMCD Operating		(\$5,950.0)	(\$5,950.0)	\$11,900.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
Attorney General (NMAG)
Corrections Department (NMCD)

SUMMARY

Synopsis of Senate Bill 167

Senate Bill 167 appropriates \$54 million from the general fund to the Facilities Management Division of the General Services Department to purchase the Northeast New Mexico Correctional Facility in Clayton.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

The appropriation of \$54 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY25 shall revert to the general fund.

The prison currently houses 527 men, 83 percent of its capacity, and is operated by the state. The state leases the property from the town of Clayton for about \$6 million a year.

SIGNIFICANT ISSUES

The New Mexico Attorney General reports the state is in the last year of a five-year lease with Clayton and the purchase of the facility, built through revenue bonds in 2007-2008, is supported by the Corrections and General Services departments. NMAG adds the state would need to pay off the bonds, a process called defeasance that “is complex and subject to legal and regulatory requirements.”

(Defeasance is) a structured and regulated method subject to certain guidelines and conditions. The town of Clayton is obligated to follow the prescribed procedures outlined by the relevant authorities and financial institutions holding the bonds. Any deviation from these established processes may result in complications and may not be legally recognized.

According to NMAG, the appraised value of the prison is \$53,535,000, and the outstanding balance on the bonds as of June 30, 2023, is \$37,060,112. The proposed sale-purchase would generate \$16,474,888 of net proceeds for Clayton.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The bill appropriates \$20 million more than that in the capital outlay framework recommended by LFC.

TECHNICAL ISSUES

The sentence on the purchase contains garble and reads: “... to purchase tuh-ih. ouhe northeast New Mexico correctional facility ...”

HG/rl/ne