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FISCAL IMPACT REPORT

SPONSOR	SFC	LAST UPDATED	2/13/23
		ORIGINAL DATE	1/23/23
SHORT TITLE	Hermits Peak-Calf Canyon Fire Recovery Funds	BILL NUMBER	CS/Senate Bill 6/SFC/ec
		ANALYST	Sanchez/Torres, I.

REVENUE* (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY23	FY24	FY25		
-	Potentially \$25,000.0	Potentially \$50,000.0	Nonrecurring	General Fund

Parentheses () indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

APPROPRIATION* (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY23	FY24		
\$100,000.0 for expenditure in FY23 and FY24	(See FY23)	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent version of this legislation.

Sources of Information

LFC Files

Responses Received From

Energy, Minerals and Natural Resources Department (EMNRD)

New Mexico Attorney General (NMAG), for original SB6

Office of the Natural Resources Trustee (ONRT), for original SB6

Department of Homeland Security and Emergency Management (DHSEM), for original SB6

Department of Finance and Administration (DFA), for original SB6

SUMMARY

Synopsis of SFC Substitute for Senate Bill 6

The Senate Finance Committee Substitute for Senate Bill 6 appropriates \$100 million from the general fund to the local government division of the Department of Finance and Administration (DFA) for the purpose of providing zero-interest reimbursable loans to political subdivisions of the state to replace or repair infrastructure damaged by fire, flooding, or debris flows caused by the Hermit's Peak-Calf Canyon Fire. The bill requires DFA to act in consultation with the Department of Homeland Security and Emergency Management (DHSEM) when providing loans.

The bill requires that the Federal Emergency Management Agency must approve political subdivisions for public assistance grants. The bill necessitates that loans will require political subdivisions to enter into a contract with the local government division to repay the loan using the first dollars received from the approved federal public assistance funding that serves as the basis for the loan. The bill also requires that loan recipients (political subdivisions) shall repay the loan within 30 days of having received approved federal public assistance funding.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

The appropriation of \$100 million in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY24 shall revert to the general fund. It is unlikely these loans would not be repaid. However, the timing of the repayments is subject to the timing and availability of the approved federal funds.

In its analysis of the bill, the Department of Finance and Administration (DFA) stated that “the disbursement of federal disaster relief funding to affected communities can take many months and involve significant delays” and views this bill as a possible solution to speeding up the deployment of funding to help with recovery. Delays will likely push the majority of the repayment of the funds into FY25. The remaining funds are expected to be repaid in FY24 and in the years following FY25.

SIGNIFICANT ISSUES

In its analysis, the Department of Homeland Security and Emergency Management (DHSEM) expressed support for the bill, stating that, if approved:

“It can be utilized to provide more expedient funding to New Mexico’s most vulnerable and impacted communities. Considering that those communities have already spent the last year expending all available resources in order to pay for the most emergent costs to either respond to or immediately recover from the Hermits Peak-Calf Canyon Fire, the availability of these zero-interest loans, would allow for needed recovery costs to be more quickly addressed. Time is of the essence during disaster recovery, especially when these communities have been impacted on such an unprecedented scale. It would not be an overstatement to say that without the availability of these funds, some of New Mexico’s towns and communities may not be able to have any long-term recovery options.”

The Attorney General, the Office of Natural Resources Trustee, and the Energy, Minerals and Natural Resources Department all say the bill would have no fiscal impact on their agencies.

PERFORMANCE IMPLICATIONS

The Energy, Minerals and Natural Resources Department’s analysis expressed that the State Forestry Division may be asked to provide technical assistance to political subdivisions. The agency does not anticipate that providing such assistance will have any fiscal impact on the division.

ADMINISTRATIVE IMPLICATIONS

In its analysis, DFA expressed concerns about the need for additional staff and resources to manage the loan program, including the development of a loan tracking system to monitor the program over a project timeline lasting up to 10 years (the average length of FEMA projects).

ALTERNATIVES

DFA suggested that it may be more feasible to appropriate funds directly to DHSEM to “streamline the disbursement of funds and the repayment to the general fund once the public assistance grant funding [is] received,” however, the DHSEM analysis did not consider this possibility.

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