

LFC Requester:	Carswell
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to billanalysis@dfa.nm.gov

(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: Feb 4, 2025 *Check all that apply:*
Bill Number: HB240 Original Correction
 Amendment Substitute

Sponsor: Herrera **Agency Name and Code:** New Mexico Environment Department 667
Short Title: Drinking Water System Grants and Loans **Number:** _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		140.	140.	420.	Recurring	Federal Grant / Gen Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: (For the NM Finance Authority Oversight Committee) Empowers the NM Finance Authority to make grants from the Drinking Water State Revolving Loan Fund, as well as loans. Extends loan repayment terms up to 30 years (from 20)—and to 40 years for disadvantaged communities (up from 30).

FISCAL IMPLICATIONS

None identified.

SIGNIFICANT ISSUES

House Bill 240 (HB240) proposes the allowance of Drinking Water State Revolving Fund (DWSRF) grants and more favorable loan terms, which could significantly increase demand for funding. At the same time, federal Bipartisan Infrastructure Law (BIL) funding, along with its substantial set-aside allocations, is set to expire after federal fiscal year 2026. This will reduce the financial and capacity-building resources available for the New Mexico Environment Department (NMED) to assist communities seeking funding.

HB240 does not provide additional resources to support the anticipated increased workload. As a result, NMED must either absorb the cost or divert resources from existing programs, potentially compromising other capacity building or technical assistance efforts.

To effectively manage the potential increase in applications and ensure communities meet technical, managerial, and financial (TMF) capacity requirements, NMED will require one additional full-time equivalent (FTE) position. The estimated cost for this position is \$140,000 per year.

PERFORMANCE IMPLICATIONS

House Bill 240 (HB240) proposes significant changes to the Drinking Water State Revolving Loan Fund Act, including the introduction of grants as a form of financial assistance and the extension of loan repayment periods. Specifically, the bill amends the definition of "financial assistance" to encompass "grants" alongside loans. Additionally, HB240 extends the maximum loan repayment period from twenty to thirty years, or up to forty years for disadvantaged communities, as defined by the federal Safe Drinking Water Act.

By incorporating grants and offering more flexible loan terms, HB240 purposes to make DWSRF funding for drinking water infrastructure projects more accessible and attractive to communities, particularly those that are financially constrained. This may encourage greater participation in the program, facilitating the improvement and expansion of essential drinking water facilities across New Mexico and ultimately improving drinking water system compliance across the state.

ADMINISTRATIVE IMPLICATIONS

None identified

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None identified.

TECHNICAL ISSUES

HB240 requires the New Mexico Environment Department (NMED) to establish rules or internal procedures for how federal annual capitalization grant funds from the Drinking Water State Revolving Loan Fund (DWSRLF) are distributed. Specifically, the bill directs NMED to determine how much of these federal funds go toward direct project funding (i.e., loans and grants for drinking water infrastructure projects) versus how much is allocated for nonproject activities, also known as set-asides.

Under the federal Safe Drinking Water Act (SDWA), states are already allowed to use up to 31% of their annual federal capitalization grants for set-asides, with 4% allocated for administrative costs and 27% available for other state program activities, including technical assistance, capacity development, source water protection, and operator training. This funding flexibility is an existing component of the DWSRF program, and states report how they allocate set-aside funds each year in the DWSRF Intended Use Plan (IUP).

OTHER SUBSTANTIVE ISSUES

None identified.

ALTERNATIVES

None identified.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB240 is not passed, the Drinking Water State Revolving Loan Fund (DWSRLF) will continue to operate without a “grant” component. Communities that struggle to take on debt may face barriers in accessing funding for drinking water infrastructure projects, potentially delaying necessary improvements to public water systems.

Additionally, without the bill’s provision to extend loan repayment terms beyond the current limits, some communities may find it more difficult to finance large-scale drinking water projects. Extending loan repayment periods can make projects more affordable by lowering annual debt service costs, increasing participation in the program. Without these changes, fewer communities may be willing or able to take advantage of available funding, potentially impacting the long-term sustainability and reliability of drinking water infrastructure across the state.

AMENDMENTS

None identified.