

LFC Requester	Davidson
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
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(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: February 21, 2025 *Check all that apply:*
Bill Number: HB569 Original Correction
Amendment Substitute

Sponsor: Johnson, Lundstrom **Agency Name and Code Number:** New Mexico Environment Department - 667
Short Title: Navajo-Gallup Water Supply Project **Person Writing Phone:** Jonas Armstrong
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	\$10,000	Nonrecurring	General Fund

(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		\$420	\$420	\$840		

(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: HB569 appropriates \$10 million from the general fund to the New Mexico Environment Department (NMED) for the planning, design, and construction of the Navajo-Gallup Water Supply Project regional water lines. The funding is specifically designated for the Beacon-Bisti-N9 and Cutter Lateral 371/Interstate 40 projects, which aim to provide water access to twelve Navajo chapters. The appropriation is available for expenditure in fiscal years 2026 through 2028, with any unspent funds reverting to the general fund at the end of FY28.

FISCAL IMPLICATIONS

HB569 appropriates \$10 million from the general fund to the New Mexico Environment Department (NMED) for the planning, design, and construction of the Navajo-Gallup Water Supply Project regional water lines. The funding is designated for improvements to the Beacon-Bisti-N9 and Cutter Lateral 371/Interstate 40 projects to expand water access to twelve Navajo chapters. The appropriation is available for expenditure in fiscal years 2026 through 2028, with any unspent funds reverting to the general fund at the end of FY28.

There is no appropriation to NMED for staff to administer this funding, despite the additional workload it would create. Without additional resources, the department lacks the technical and administrative capacity to effectively oversee these additional infrastructure projects. Currently, Construction Program Bureau staff are overseeing 100+ active projects. The Drinking Water Bureau has two engineers tasked with review of all drinking water construction projects. The bureaus will have to reduce service to current projects if required to take on additional projects.

To properly administer this funding, NMED would require at least three (3) additional full-time equivalent (FTE) positions to manage procurement, contract administration, and project oversight. At an estimated cost of \$140,000 per FTE per year, this would total approximately \$420,000 annually. However, HB569 does not allocate any funding for these positions, meaning NMED would have to absorb the workload within its existing resources, potentially impacting the department's ability to manage other critical infrastructure projects effectively.

Neither the Construction Programs Bureau nor the Drinking Water Bureau fund this work using general fund resources. The Construction Programs Bureau is funded with set asides from federal grants and Corrective Action Fund. The Drinking Water Bureau is funded primarily by federal grant set asides with limited general fund availability. Federal fund set asides are usually limited to use on federally funded projects. Corrective Action Fund availability is also limited by regulatory restraints.

SIGNIFICANT ISSUES

None identified.

PERFORMANCE IMPLICATIONS

NMED regulates public drinking water systems across New Mexico; however, it does not oversee regulatory compliance for water systems on the Navajo Nation. Regulatory authority for these systems falls under EPA Region 9 and the Navajo Nation Environmental Protection Agency (NNEPA).

While HB569 provides funding for water infrastructure improvements to expand access to reliable drinking water for twelve Navajo chapters, this project would not impact NMED's regulatory performance measures, as the department does not have oversight of these water systems. Instead, the project would support broader water accessibility goals for the region, addressing long-standing infrastructure challenges within the Navajo-Gallup Water Supply Project.

ADMINISTRATIVE IMPLICATIONS

NMED does not have the administrative or technical capacity to directly manage large-scale infrastructure projects, including the planning, design, and construction of water system improvements. The department is not structured to serve as a project manager for drinking water infrastructure and typically administers funding through grant and loan programs rather than overseeing direct project implementation.

Additionally, since NMED does not regulate water systems on the Navajo Nation, its role in administering this funding would be limited to disbursing funds, reviewing plans and specifications prior to bid for clarity, if requested, and overseeing procurement processes rather than ensuring compliance or long-term system operation. Managing this appropriation could require additional administrative resources within NMED to process contracts and track expenditures.

NMED staff tasked with review, management, and monitoring of water projects are currently managing active projects with a caseload of 121 projects per employee. Drinking Water Bureau has two engineers to review 1000+ proposed water projects across the to ensure compliance, a workload of over 500 systems per FTE. Such heavy loads and the potential increase of additional projects associated with this bill result in an inability to provide the high quality of review and monitoring necessary to ensure that the systems are built correctly and can supply safe drinking water to consumers. The additional projects from this bill would further strain resources, increasing the likelihood of unsafe drinking water reaching consumers and exposing the state to greater liability and regulatory gaps.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None identified.

TECHNICAL ISSUES

None identified.

OTHER SUBSTANTIVE ISSUES

If HB569 is enacted, NMED would need to issue a request for proposals (RFP) for design and construction services, hire additional full-time staff to administer design and construction contracts, and administer the funding for the Navajo-Gallup Water Supply Project improvements. Additionally, significant federal infrastructure funding is available through the Drinking Water State Revolving Fund (DWSRF) and the Bipartisan Infrastructure Law (BIL) to support water projects, including those serving tribal communities.

Encouraging the use of existing federal funding sources could reduce reliance on state resources while ensuring that the impacted Navajo chapters receive necessary water infrastructure improvements. Aligning state and federal funding efforts could maximize available resources and streamline project implementation for the Navajo-Gallup Water Supply Project.

ALTERNATIVES

The funding in HB569 could be provided directly to the Navajo Nation or the appropriate tribal entity responsible for overseeing the Navajo-Gallup Water Supply Project, rather than being administered by NMED.

A similar approach has been used in other large-scale water infrastructure projects, where funding was allocated directly to the entity responsible for the system, rather than through state agencies that do not have the resources to manage projects of this scale. Allocating funds in this manner could streamline project administration, reduce administrative burdens on NMED, and ensure that the funding is managed by those directly overseeing the infrastructure improvements.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB569 is not enacted, the Navajo-Gallup Water Supply Project will not receive \$10 million in state funding for regional water line improvements. Without this funding, necessary upgrades to the Beacon-Bisti-N9 and Cutter Lateral 371/Interstate 40 projects may be delayed, potentially slowing efforts to expand water access to twelve Navajo chapters that rely on this infrastructure.

AMENDMENTS

None identified.