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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Cates</u>	<b>LAST UPDATED</b> _____
	<b>ORIGINAL DATE</b> <u>1/27/2025</u>
<b>SHORT TITLE</b> <u>Public Project Fund Appropriations</u>	<b>BILL NUMBER</b> <u>House Bill 41</u>
	<b>ANALYST</b> <u>Carswell</u>

### APPROPRIATION\* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$6,250.0	Nonrecurring	Drinking Water State Revolving Loan Fund
	\$2,000.0	Nonrecurring	Local Government Planning Fund
	\$5,000.0	Nonrecurring	Cultural Affairs Facilities Infrastructure Fund

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

### REVENUE\* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
	(\$13,250.0)	\$0	\$0	\$0	\$0	Nonrecurring	Public Project Revolving Fund

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

Relates to Senate Bill 115

### Sources of Information

LFC Files

#### Agency Analysis Received From

New Mexico Environment Department (NMED)

New Mexico Finance Authority (NMFA)

Department of Cultural Affairs (DCA)

## SUMMARY

### Synopsis of House Bill 41

House Bill 41 (HB41), endorsed by the New Mexico Finance Authority Oversight Committee, appropriates \$13.25 million from the public project revolving fund for expenditure in fiscal year 2026 and subsequent fiscal years. Appropriations are made to the following funds: \$6.25 million

to the drinking water state revolving loan fund, \$2 million to the local government planning fund, and \$5 million to the cultural affairs facilities infrastructure fund.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

## FISCAL IMPLICATIONS

The appropriation of \$13.25 million contained in this bill is a nonrecurring expense to the public project revolving fund. Any unexpended or unencumbered balance remaining at the end of FY26 shall not revert to the public project revolving fund.

At the end of each fiscal year, after all debt service and other obligations are satisfied, the New Mexico Finance Authority Act (6-21-6 NMSA 1978) allows the Legislature to appropriate an amount not to exceed 35 percent of the prior year's government gross receipts tax (GGRT) from the public project revolving fund. According to NMFA, the appropriations in HB41 total 34.7 percent of the FY24 GGRT.

The appropriation in HB41 to the drinking water state revolving fund would provide state match for federal funds provided by the U.S. Environmental Protection Agency, with the appropriation expected to leverage up to \$31 million in federal grants for the fund, according to the New Mexico Finance Authority (NMFA). Federal capitalization grants available for the fund are larger than in the past due to supplemental grants available through the federal Bipartisan Infrastructure Law and, according to NMFA, are expected to include \$5.5 million in base grants and \$25.75 million in supplemental grants.

The cultural affairs facilities infrastructure fund has received appropriations from the public project revolving fund for five years and uses the funds for repairs and infrastructure projects at its facilities statewide. The Department of Cultural Affairs (DCA) receives appropriations for similar purposes in the annual capital outlay bill; \$5 million proposed in the 2025 LFC statewide capital outlay framework for general infrastructure and capital improvements. If HB41 and the proposed capital appropriation are approved by the Legislature, it would bring total flexible capital funding for DCA to \$10 million for FY26, plus any site-specific capital appropriations the agency may receive from discretionary funds allocated by legislators and the governor.

## SIGNIFICANT ISSUES

**Drinking Water State Revolving Fund:** The drinking water state revolving fund provides low-interest loans and grants for drinking water projects, primarily with federal dollars. While the fund was underutilized for many years due to competition with capital outlay and other state grant programs, policy changes have recently attracted more borrowers to the fund and NMFA reports existing funds are fully committed.

A portion of the federal grants to the fund can be used by NMFA and the New Mexico Environment Department, which both have administrative responsibilities related to the fund to support a range of activities including technical assistance to water systems to support compliance with the federal Safe Drinking Water Act.

**Local Government Planning Fund:** NMFA administers the fund to make grants to local entities to support completion of planning documents necessary to move projects forward. Grants of up to \$100 thousand per planning document are available and no entity may receive more than \$100 thousand in a two-year period. In recent years, NMFA has used the local government planning fund primarily as a pipeline for projects seeking funding from the Water Trust Board. According to NMFA, since the fund's inception, it has made 412 planning grants totaling \$16.9 million. An additional 39 grants totaling \$1.9 million are pending completion of planning documents.

**Cultural Affairs Facilities Infrastructure Fund:** DCA owns and operates more than 240 structures in the state, more than 100 of which are on historic registries. Appropriations from the public project revolving fund support the maintenance and improvement of these sites and give the agency discretion to prioritize projects statewide and meet unforeseen needs.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

If HB41 is not enacted, New Mexico could lose roughly \$28.7 million in federal grants to the drinking water state revolving fund, resulting in fewer improvements to community water systems in the state. The federal funding also supports 55 full-time employees in NMED focused on provision of safe and reliable drinking water, according to the agency.

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