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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Herrera/Ortez/Hochman- Vigil/Gonzales/Silva</u>	<b>LAST UPDATED</b> _____ <b>ORIGINAL DATE</b> <u>2/7/2025</u>
<b>SHORT TITLE</b> <u>Drinking Water System Grants &amp; Loans</u>	<b>BILL NUMBER</b> <u>House Bill 240</u>
	<b>ANALYST</b> <u>Carswell</u>

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMFA	No fiscal impact	No fiscal impact	No fiscal impact		Recurring	Other state funds

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

### Sources of Information

LFC Files

Agency Analysis Received From  
New Mexico Finance Authority (NMFA)  
New Mexico Environment Department (NMED)

## SUMMARY

### Synopsis of House Bill 240

House Bill 240 (HB240), endorsed by the New Mexico Finance Authority Oversight Committee, makes changes to the state’s Drinking Water State Revolving Loan Fund Act to conform with the federal Safe Drinking Water Act. Among other revisions, the bill allows the New Mexico Finance Authority (NMFA) to make grants as well as loans from the drinking water state revolving loan fund, extends the maximum repayment periods for loans by 10 years, and clarifies that NMFA, rather than the Environment Department (NMED) is responsible for annually applying for federal capitalization grants for the revolving 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

HB240’s revisions to the program’s enabling legislation will impact the terms under which clients of the program are served but should not have a substantive impact on the administrative duties performed by either NMFA or NMED. The revisions also do not change the required state match to receive federal funds.

While HB240 makes explicit that grants are an eligible use of the funds, NMFA has already been

providing 100 percent principal forgiveness loans through the program to comply with Safe Drinking Water Act requirements that certain federal funding be provided to eligible recipient on grant-like terms.

## **SIGNIFICANT ISSUES**

The drinking water state revolving fund receives annual capitalization grants from the federal government that require a 20 percent state match. The fund supports projects that facilitate access to clean drinking water, support compliance with drinking water standards, and protect public health. The program is jointly administered by NMFA and NMED.

According to NMFA, New Mexico passed its Drinking Water State Revolving Loan Fund Act in 1997, made minor amendments in 2001, and has not revised the act since. Federal changes to the Safe Drinking Water Act in 2018 and 2021 included changes to the financial assistance requirements related to the state's enabling legislation, resulting in the need to update the act to support its compliance with federal law.

The changes would extend maximum loan repayment terms for non-disadvantaged communities from 20 years to 30 years and for disadvantaged communities from 30 years to 40 years. This change could result in smaller payments, reducing the financial burden of loans. The loan term is not to exceed the design life of the funded project, however.

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