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FISCAL IMPACT REPORT

SPONSOR <u>Murphy/Mejia/Mason/Henry/Vincent</u>	LAST UPDATED <u>2/20/25</u>
	ORIGINAL DATE <u>2/19/25</u>
SHORT TITLE <u>Storm Event Zero-Interest Loans</u>	BILL NUMBER <u>House Bill 351</u>
	ANALYST <u>Hilla</u>

APPROPRIATION* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$200,000.0	Nonrecurring	General Fund

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

Sources of Information

LFC Files
 Federal Emergency Management Agency

Agency Analysis was Received From
 Department of Homeland Security and Emergency Management (DHSEM)

Agency Analysis was Solicited but Not Received From
 Department of Finance and Administration (DFA)
 New Mexico Counties (NMC)

Agency Declined to Respond
 New Mexico Department of Environment (NMED)

SUMMARY

Synopsis of House Bill 351

House Bill 351 (HB351) appropriates \$200 million from the general fund to the state Board of Finance (BOF) at the Department of Finance and Administration (DFA) to provide zero-interest loans to state political subdivisions in Chaves County that have been approved for federal public assistance funding for projects to replace or repair public infrastructure damaged attributable to the Chaves County flooding on October 19, 2024. The loan shall be repaid using dollars received from federal funding.

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 \$200 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY27 shall revert to the general fund. However, the timing of the repayments is subject to the timing and availability of the approved federal funds. Any repayment of loans would be a nonrecurring increase to the state's revenue. Laws 2023, Chapter 2, created a similar loan repayment for the Hermits Peak-Calf Canyon Fires, which contained a \$100 million appropriation that has yet to be repaid to the general fund. As of July 2024, only \$703.6 thousand has been repaid to the general fund under Laws 2023, Chapter 2. Due to various federal delays, the repayment of these loans in HB351 is unlikely to be received within the next few fiscal years based on progress of similar previous legislation. This indicates the FY27 reversion date would not be sufficient for projects to be completed and receive repayments of loans before funds revert.

It is unclear how the figure of \$200 million was set. The state has previously allocated a maximum of \$100 million for past fire recovery efforts. The slow loan repayments in similar programs raises concerns about the long-term financial impact on the state.

SIGNIFICANT ISSUES

Laws 2023, Chapter 2, created a program similar to that in HB351 for damage connected to Hermits Peak-Calf Canyon Fire in 2022, and Laws 2024, Chapter 1, created a \$70 million program for the Salt and South Fork fires from July 2024. These pieces of legislation were passed to provide cash flow for political subdivisions to cover the costs of federally approved projects. The intent of these programs is to allow political subdivisions to use state funds now to pay for approved projects while they wait for federal funds they then use to pay back the state. However, not all political subdivisions affected by these fires were appropriated funds for fire recovery, possibly leading to further unmet and unseen needs in the state, which is a potential possibility for HB351. Previous legislation required the Department of Homeland Security and Emergency Management (DHSEM) to participate in award-making and project oversight, a provision HB351 lacks.

On November 2, 2024, the federal government declared a disaster in New Mexico due to severe storm and flooding on October 2024 in Chaves County, freeing up Federal Emergency Management Agency (FEMA) funding for affected areas, including grants for temporary housing and home repairs, low-cost loans to cover uninsured property losses, and other programs to help individuals and business owners recover. The declaration states, "Federal funding also is available to state, tribal and eligible local governments and certain private nonprofit organizations on a cost-sharing basis for emergency work and the repair or replacement of facilities damaged by the severe storm and flooding." There are federal awards already set in place; however, they are not zero-interest loans and are on a cost-sharing basis for political subdivisions. FEMA would pay 75 percent of the project, and the political subdivisions would pay the remaining 25 percent. As of January 28, 2025, seven projects are under review for the federal cost-sharing.

As of January 28, 2025, FEMA states more than \$24.6 million has been approved for federal assistance for Chaves County for individuals, not for political subdivisions. FEMA’s deadline for federal assistance is August 1, 2025. Additionally, the U.S. Department of Housing and Urban Development (HUD) allocated \$137 million in disaster recovery funding for Chaves County and other impacts remaining from the Salt and South Fork fires that has yet to be distributed to the local level. This is funneled through DHSEM.

The bill’s language addresses debris removal, which would classify as Category A under Emergency Work for FEMA approval. Previous legislation did not directly address emergency work, or debris removal, which has created project delays for disaster recovery. This identification of emergency work is critical to ensure a political subdivision can remove debris to clear the way to make repairs.

ADMINISTRATIVE IMPLICATIONS

Based on previous analysis of similar legislation, DFA likely would require additional staff and resources to manage the loan program.

OTHER SUBSTANTIVE ISSUES

The Department of Homeland Security and Emergency Management states that repayment timelines for loan recipients, including deadlines and penalties of repayment, should be clarified to align with similar legislation to strengthen the fund’s financial sustainability.

TECHNICAL ISSUES

HB351 stipulates that the Board of Finance at DFA shall administer the funds. This should be changed to the Local Government Division. Laws 2024, Chapter 1, stated the \$70 million would be through the Board of Finance, but the department has been fulfilling the awarding process and project management oversight through the Local Government Division due the governor’s veto of language to go through the Board of Finance, consistent with Laws 2023, Chapter 2.

EH/hj/hg/sgs/SR