

LFC Requester:

Carswell

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

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[AgencyAnalysis.nmlegis.gov](https://www.legis.nm.gov/AgencyAnalysis) 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: 01/15/2024

Check all that apply:

Bill Number: HB41Original Correction Amendment Substitute Sponsor: Rep. Kathleen Cates

Agency Name and

Code Number: NMED - 667Short Title: Public Project FundPerson Writing: Jonas ArmstrongTitle: AppropriationsPhone: 505-670-9050 Email: Jonas.Armstrong2@env.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	\$13,250	Nonrecurring	Public Project Revolving Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
	\$28,732		Nonrecurring	Drinking Water State Revolving Loan Fund
	\$2,000.0		Nonrecurring	Local Government Planning Fund
	\$5,000.0		Nonrecurring	Cultural Affairs Facilities Infrastructure Fund

(Parenthesis () indicate revenue decreases)

SECTION III: NARRATIVE**BILL SUMMARY**

Synopsis: House Bill 41 (“HB41”) appropriates \$6,250,000 from the Public Project Revolving Fund (PPRF) in fiscal year 2026 (FY26) to provide the required 20% state match for the federal Drinking Water State Revolving Fund (DWSRF) allocation from the United States Environmental Protection Agency (EPA) for New Mexico.

HB41 also appropriates \$2,000,000 to the local government planning fund for expenditure in FY26.

Finally, HB41 appropriates \$5,000,000 to the cultural affairs facilities infrastructure fund for expenditure in FY26.

FISCAL IMPLICATIONS

HB41 has significant fiscal implications for the New Mexico Environment Department (NMED) and the New Mexico Finance Authority (NMFA). The \$6.25 million appropriation directed from the PPRF would be deposited in the DWSRF which resides at the NMFA and is used to provide loans and subsidies for drinking water projects. The appropriation would be used to match approximately \$28.7 million in expected federal grant dollars to the DWSRF. A portion (up to 31%) of the total allotment can be “set-aside” pursuant to federal law to be used for funding New Mexico’s drinking water program oversight and assistance activities. “Set-Aside” activities are conducted by the NMFA and NMED to improve drinking water system compliance, encourage enhanced public water system management and support public health protection.

With respect to the Estimated Additional Operating Budget impact, the NMED’s existing proposed budget already assumes that the above appropriation and revenue will be received and there is no “additional” operating budget impact that is not already captured in the existing operating budget proposed for NMED.

SIGNIFICANT ISSUES

The appropriations in HB41 will fulfill the 20% state match required to access federal funds provided by the EPA to the Drinking Water State Revolving Fund (DWSRF) (42 U.S.C. § 300j-12(e)). Authorization of HB41 is essential for New Mexico to secure these federal funds, which are critical for maintaining and upgrading the state’s aging drinking water infrastructure. These investments not only protect public health but also support the state’s economic viability.

The appropriations proposed in HB41, along with the federal funds they leverage, will provide additional capital to the DWSRF. This program offers low-interest loans and subsidies to assist New Mexico’s local governments in improving and modernizing drinking water system infrastructure.

As the designated grantee for federal DWSRF funds, the New Mexico Finance Authority (NMFA) works in partnership with NMED, which serves as a sub-grantee responsible for up to 27% of the set-aside programs. These federally leveraged funds support a broad range of activities, including regulatory oversight, emergency response preparedness, technical assistance, and training to ensure Safe Drinking Water Act compliance. Additionally, the funds facilitate NMED’s regional collaboration efforts aimed at advancing regionalization, provide direct compliance assistance to public water systems, and support the certification and professional development of utility operators. Together, these initiatives strengthen the capacity of nearly 1,100 public water systems across New Mexico, ensuring they can deliver safe and reliable drinking water to their communities.

PERFORMANCE IMPLICATIONS

The passage of HB41 is essential for NMED to meet its performance goals by supporting outreach and financing for communities, Mutual Domestic Water Consumer Associations, state agencies, special districts, and other eligible entities across New Mexico. These efforts are crucial for funding drinking water infrastructure projects that ensure safe and reliable water services statewide.

HB41 will also play a key role in improving compliance rates among public drinking water systems. The infrastructure investments enabled by this legislation will help systems meet both current and emerging drinking water treatment and delivery standards, protecting public health. The funding will bolster assistance and oversight programs, strengthening the operational and managerial capacity of public water systems and promoting more efficient and sustainable operations.

Higher compliance rates mean reliable, high-quality drinking water for New Mexicans, with reduced levels of harmful contaminants like lead, uranium, radium 226 and arsenic. Additionally, the advanced treatment infrastructure supported by HB41 will equip public water systems to address emerging contaminants, including per- and polyfluoroalkyl substances (PFAS), which will pose significant compliance challenges with the adoption of new national PFAS drinking water standards. By addressing both current and future water quality concerns, HB41 directly supports NMED's performance measures, such as increasing the percentage of the population served water that meets health-based standards and reducing regulatory violations through targeted assistance and compliance programs.

ADMINISTRATIVE IMPLICATIONS

None identified.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None identified.

TECHNICAL ISSUES

None identified.

OTHER SUBSTANTIVE ISSUES

None identified.

ALTERNATIVES

None identified.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB41 is not enacted, New Mexico stands to lose over \$28.7 million in federal funds designated for drinking water infrastructure improvements. Without these critical investments, many New Mexicans will face a heightened risk of consuming water that fails to meet quality standards, jeopardizing public health and safety. New Mexico would be forced to find alternative funding sources for the match in order to leverage the critical federal funds.

In addition to losing the immediate benefit of \$28.7 million in federal funding, the state will forfeit the long-term value of repaid DWSRF loans with interest. The absence of this match would also deprive NMED of essential federal funding that supports approximately 55 full-time employees

dedicated to ensuring safe and reliable drinking water for more than 2 million New Mexico residents. Without an alternative funding source, critical functions such as local technical assistance to public water systems, utility operator certification and training programs, capacity development and regionalization initiatives, and regulatory oversight and enforcement activities would be significantly reduced or eliminated.

A failure to fund these critical functions could jeopardize New Mexico's primacy authority, which allows the state to enforce drinking water regulations under the Safe Drinking Water Act. Should primacy be lost, the EPA would assume enforcement responsibility in New Mexico, potentially leading to less tailored oversight and support for local water systems. The passage of HB41 is therefore crucial to maintaining the state's capacity to protect public health and effectively manage its drinking water systems.

AMENDMENTS

None identified.