

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: Jan 17, 2025 *Check all that apply:*
Bill Number: HB92 Original X Correction
 Amendment Substitute

Sponsor: Ortez **Agency Name and Code** Environment-667
Short Title: Water Quality Construction Projects Funding **Number:** _____
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	\$10,000.0	Nonrecurring	General Fund

(Parenthesis () indicate expenditure decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$0	\$150.0	\$150.0	\$300.0	Recurring	General Fund

(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: House Bill 92 (HB 92) appropriates \$10 million to the New Mexico Environment Department (NMED) in Fiscal Year 2026 (FY26) to plan, design, and construct projects to improve river, stream, and wetland habitat and surface water quality. Any unexpended or unencumbered funds at the end of FY26 would revert to the general fund.

FISCAL IMPLICATIONS

This appropriation provides funding to engage in longer-term project planning and development of contractor capacity to implement watershed restoration projects and ensures funding that matches the need for, or interest in, watershed, river, and wetland restoration projects. This appropriation also supplements, and compliments, the annual distribution to NMED from the Land of Enchantment Legacy Fund, which is at least \$1.25 million each year.

This appropriation, in addition to other appropriations and funds for the NMED Surface Water Quality Bureau River Stewardship Program (RSP), will require one additional full-time employee (FTE). The Surface Water Quality Bureau created a River Stewardship Program Team in FY25. The RSP Team currently consists of a supervisor and two water resource professionals, but the bureau will need an additional water resource professional to help administer and manage \$10 million in additional projects being undertaken on the ground. These projects will contribute to river health and restoration to improve and maintain the quality of surface waters and riparian zones, which will help with watershed resilience in a changing climate and lessen the risk of catastrophic wildfires and flooding in these watersheds.

The estimated additional operating budget impacts are for an additional FTE, which would be supported by the Land of Enchantment Legacy Fund, or other funds, without requiring an increase in the proposed appropriation amount in HB 92. An additional \$10 million will fund approximately 15 RSP projects with an average project cost between \$500,000 and \$750,000. In 2022, when NMED received \$10 million in American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) for the RSP, there were over \$20 million in project proposals, so NMED could only fund half of the proposals received.

SIGNIFICANT ISSUES

The appropriation, as written, is only for one year. Any unexpended or unencumbered balance remaining at the end of FY26 will revert to the general fund. The procurement process, request for proposals, and entering into contracts can take up to a year depending on the procurement. Restoration projects implemented through the RSP take two to four years to complete because they require planning, permitting, construction, and post-project monitoring. One year is not a realistic timeline to complete projects successfully and fully expend funds.

The RSP funds projects that enhance the health of rivers by addressing the root causes of poor water quality and stream habitat. Each year the New Mexico Legislature appropriates capital outlay funds and other funding for the RSP to design and construct projects that improve surface water habitat statewide and to provide matching funds required by the terms of federal grants awarded to NMED under the Clean Water Act. Annual capital outlay funding has ranged from \$500,000 to \$2.3 million. In 2021, the New Mexico Legislature appropriated \$10 million in American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) to the RSP. In addition, beginning in 2024, the RSP will receive an annual distribution from the Land of Enchantment Legacy Fund, established in the New Mexico Legislature in 2023.

The RSP builds on the success of past efforts with Clean Water Act funding and state funding for watersheds, rivers, and wetlands. The RSP enhances economic benefits of healthy river systems by providing improved opportunities to hunt, fish, float and view wildlife, restores or maintains the hydrology of streams to better handle overbank flows and reduce the flood hazard in downstream communities, and mitigates the impacts from a changing climate such as drought, wildfires, and floods.

PERFORMANCE IMPLICATIONS

The Surface Water Quality Bureau created a River Stewardship Program Team in FY25. The RSP Team currently consists of a supervisor and two water resource professionals, but the bureau will need an additional water resource professional to help administer and manage projects with \$10 million in additional projects being undertaken on the ground. These projects will contribute to river health and restoration to improve and maintain the quality of surface waters and riparian zones, which will help with watershed resilience in a changing climate and lessen the risk of catastrophic wildfires and flooding in these watersheds.

NMED has extensive experience managing watershed, river, and wetland restoration funds and, with the RSP, NMED will continue to make progress on improving surface water quality and riparian habitat, which provides a significant return on investment of state funds. NMED expects to issue a request for proposals (RFP) after the legislative session to select projects and encumber any funds that were appropriated to the NMED RSP in the 2025 Regular Session.

ADMINISTRATIVE IMPLICATIONS

An additional \$10 million in projects will require financial and contract management and tracking. Currently the Surface Water Quality Bureau has one financial staff who works with the RSP Team. The Bureau also has a Bureau Financial Manager to help administer and manage the funds.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Related to NMED's Capital Outlay request and NMED's annual Land of Enchantment Legacy Fund distribution.

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Across New Mexico, fewer watershed restoration projects that improve surface water quality and riparian habitat will be implemented. Surface water quality and riparian habitat will continue to be compromised and watershed resilience to wildfires, droughts, and floods will be diminished. As a result, the cost to treat water will increase and the economic benefits of clean water will not be realized. The agricultural, recreational, and local economies in New Mexico will suffer from poor water quality and stream habitat.

AMENDMENTS

SECTION 1. APPROPRIATION.--Ten million dollars (\$10,000,000) is appropriated from the general fund to the department of environment for expenditure in fiscal years 2026 through 2029 to plan, design and construct projects to improve river, stream and wetland habitat and surface water quality. Any unexpended or unencumbered balance remaining at the end of fiscal year ~~[2026]~~ 2029 shall revert to the general fund.