

LFC Requester:	Cally Carswell
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
AgencyAnalysis.nmlegis.gov 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: 01/30/2025 *Check all that apply:*
Bill Number: HB206 Original Correction
 Amendment Substitute

Sponsor:	Susan Herrera, Patricia Lundstrom, Raymundo Lara, Kristina Ortez, Martin Zamora	Agency Name and Code Number:	New Mexico Environmental Department 667
Short Title:	NMFA Water Project Fund Projects	Person Writing	<u>Jonas Armstrong</u>
		Phone: 505-670-9050	Email: <u>Jonas.armstrong2@env. nm.gov</u>

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

Relates to: SB29

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Summary: House Bill 206 (HB206) details 62 water projects for which the Legislature authorizes the New Mexico Finance Authority to make loans or grants from the Water Project Fund.

FISCAL IMPLICATIONS

The water project fund is administered by the New Mexico Finance Authority (NMFA), which makes grants and loans to water projects recommended for funding by the Water Trust Board (WTB) and Water Project Fund (WPF) and authorized by the Legislature. The water project fund receives a 9 percent annual earmark on senior severance tax bond (STB) capacity and an annual distribution from the Water Trust Fund of the greater of \$4 million or 4.7 percent of the average year-end value of the trust fund over the previous five years.

SIGNIFICANT ISSUES

The projects included in HB206 are required to demonstrate compliance with applicable regulations and laws, such as water rights, drinking water regulations, and state audit rules, before funding is awarded by the board.

PERFORMANCE IMPLICATIONS

N/A

ADMINISTRATIVE IMPLICATIONS

Drinking water projects, regardless of funding source must comply with safe drinking water regulations administered by NMED and drinking water projects will need to work with NMED's Drinking Water Bureau for approval prior to construction.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Several projects listed in HB206 are eligible for low-interest (0.01%-0.1%) loans and grants under the New Mexico Clean Water State Revolving Fund (CWSRF) program. The CWSRF has struggled to attract enough applicants to commit all available funding. The addition of more eligibilities for WTB/WPF funding may enable WPF funding to be combined with CWSRF funds, but the timeframe for the WTB/WPF program would make it difficult to co-fund projects in a timely manner and this competition could impact the use of CWSRF funds in the state. CWSRF accepts applications year-round and can make awards at any time. WTB/WPF is a once-a-year process that takes approximately 10 months from application to award. NMED encourages the funded entities listed in HB206 to contact NMED and work with the WTB/WPF to see if WTB/WPF and CWSRF funding can be combined or leveraged for the listed projects.

Senate Bill 29 appropriates \$222 million from the general fund to the Water Project Fund for expenditure in FY25 and FY26 for projects authorized by the Legislature in the first session of the fifty-seventh Legislature.

TECHNICAL ISSUES

N/A

OTHER SUBSTANTIVE ISSUES

ALTERNATIVES

All, or portions of, the following projects may be eligible for additional funding via loans and grants from the New Mexico Clean Water State Revolving Fund (CWSRF) program:

Funded Entity	Project Description
City of Alamogordo	Water conservation or recycling, treatment or reuse of water project and for a storage, conveyance or delivery of water project
City of Albuquerque	Flood prevention project and for a storage, conveyance or delivery of water project
Albuquerque Bernalillo County Water	Water conservation or recycling, treatment or

Authority	reuse of water project
Cibola County	Flood prevention project
Colfax Soil and Water Conservation District	Watershed restoration and management project
City of Deming	Water conservation or recycling, treatment or reuse of water project, a flood prevention project
Dona Ana County	Flood prevention project
Pueblo of Isleta	Water conservation or recycling, treatment or reuse of water project
Village of Los Ranchos	Water conservation or recycling, treatment or reuse of water project
Luna County	Flood prevention project
McKinley County	Flood prevention project
Rosedale Mutual Domestic Water Consumers Association	Water conservation or recycling, treatment or reuse of water project
Village of Ruidoso	Flood prevention project and three storage, conveyance or delivery of water projects
San Juan Soil and Water Conservation District	Watershed restoration and management project
Southern Sandoval County Arroyo Flood Control Authority	Flood prevention project
City of Sunland Park	Two flood prevention projects
City of Truth or Consequences	Flood prevention project
Upper Rio Grande Watershed District	Flood prevention project
Ute Creek soil and water conservation district	Watershed restoration and management project

The CWSRF program is a federal-state partnership that provides low-cost financing to communities for a wide range of water quality infrastructure projects, including municipal wastewater facilities, nonpoint source pollution control, decentralized wastewater treatment systems, stormwater runoff mitigation, green infrastructure, estuary protection, and water reuse.

Any of the projects listed in HB206 that involve drinking water projects are eligible for low-interest loans and grants from the New Mexico Drinking Water State Revolving Fund (DWSRF).

The New Mexico Environment Department co-administers the Drinking Water State Revolving Fund (DWSRF) loan program with the New Mexico Finance Authority (NMFA). This fund provides low-cost financial assistance to public water systems to finance the cost of repair and replacement of drinking water infrastructure; to ensure compliance with drinking water regulations; and to protect drinking water quality and public health.

Any of the funded entities listed in HB206 with populations served of less than 20,000 people are eligible for low-interest loans and grants from the New Mexico Rural Infrastructure Program (RIP).

Information regarding NM CWSRF, DWSRF and RIP funding may be found on the site - <https://www.env.nm.gov/funding-opportunities/>

Native American Pueblos and Tribes may be eligible for funding under the Clean Water Indian Set-Aside Grant Program (CWISA). CWISA provides funding to Indian Tribes and Alaska Native Villages for wastewater infrastructure. The CWISA program is administered in cooperation with the Indian Health Service (IHS). To be considered for CWISA program funding, Tribes must identify their wastewater needs to the IHS Sanitation Deficiency System. EPA uses the IHS Sanitation Deficiency System priority lists to identify and select projects for CWISA program funding. Up to 2% of the CWSRF appropriation is set aside for CWISA on an annual basis. CWISA programs are managed at the EPA Regional level. The EPA Region 6 CWISA coordinator is Jose Alvarez - alvarez.jose@epa.gov and (214) 533-7273. Information regarding CWISA may be found on the site - <https://www.epa.gov/small-and-rural-wastewater-systems/clean-water-indian-set-aside-program>

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Critical drinking water, wastewater, and non-point pollution prevention infrastructure will not be funded. The entities listed in HB206 will have to seek alternative funding, sell bonds, or self-finance. Use of municipal bonds and self-financing will likely lead to higher utility rates for each service area.

AMENDMENTS

N/A