

LFC Requester:	Scott Sanchez
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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: 2.6.25 *Check all that apply:*
Bill Number: SB 31 Original Correction
 Amendment Substitute

Sponsor: Pete Campos, Joseph L.Sanchez, Anita Gonzales **Agency Name and Code:** NM Department of Homeland Security and Emergency Management-79500
Short Title: Zero-Interest Natural Disaster Loans **Person Writing:** Matthew Stackpole
Phone: 505-699-5807 **Email:** Matthew.stackpole@dhsem

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$150,000	TBD	Nonrecurring	Natural Disaster Revolving Loan Fund
NA	NA	TBD	Federal Reimbursement Revolving Loan Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0	\$0	\$0	NA	NA

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$150	\$150	\$150	\$450	Recurring	Natural Disaster

						Revolving Loan Fund
	\$250	\$250	\$250	\$750	Recurring	Natural Disaster Revolving Loan Fund
	\$150	\$150	\$150	\$450	Recurring	Federal Reimbursement Revolving 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: SB 31 creates The Natural Disaster Revolving Fund (NDRF) by appropriating one hundred fifty million dollars (\$150,000,000.00) from the general fund to the newly created NDRLF. The Department of Finance and Administration (DFA), in consultation with the Department of Homeland Security and Emergency Management (DHSEM), is authorized to provide zero-interest reimbursable loans for expenditure in FY 2025 and subsequent fiscal years.

These loans will be available to state political subdivisions, as well as electric cooperatives, that have been approved by FEMA for public assistance grants to replace or repair public infrastructure damaged by a federally declared natural disaster. DFA will require a contract for reimbursement from the political subdivision. This reimbursement will be facilitated through a release provided to DHSEM. Consequently, DHSEM will be able to directly transfer the funds received from the public assistance grant to DFA in order to repay the loan. All loan repayments (and interest penalty payments) will be deposited back into the Natural Disaster Revolving Loan Fund.

SB 31 also establishes the Federal Reimbursement Revolving Fund (FRRF) as a nonreverting fund. This fund uses reimbursement from the federal government for claims arising from the state's response to declared emergencies. Its purpose is to ensure recovery for local communities affected by such emergencies and to address future emergencies in New Mexico. Money in the fund is appropriated to DFA to make appropriations pursuant to Section 12-11-24 and 12-11-25 of the Disaster Location Act. The Federal Reimbursement Revolving Fund (FRRF) does not have a general fund appropriation. Rather, any funds reimbursed to the state or received by the state for emergency expenditures from the federal government, including those obtained through the federal Hermit's Peak/Calf Canyon Fire Assistance Act—unless otherwise obligated under an agreement with the federal government—shall be deposited into the FRRF.

SB 31 does have an emergency clause.

FISCAL IMPLICATIONS

SB 31 makes a nonrecurring one hundred fifty million dollars (\$150,000,000.00) appropriation from the general fund to Natural Disaster Revolving Fund, for expenditure in FY 25 and

subsequent fiscal years. Also, from FY 25 through FY 28, SB 134 appropriates from the Appropriation Contingency Fund, an amount equal to the \$150,000,000.00, minus the unexpended and unencumbered balance (as of August of those respect years) of the Natural Disaster Revolving Loan Fund.

SB 31 makes both, the Natural Disaster Revolving Fund, and the Federal Reimbursement Revolving Fund part of the State Reserves.

SIGNIFICANT ISSUES

Senate Bill 31 provides a more comprehensive and sustainable approach to disaster response financing in New Mexico. By establishing two distinct funds—the Natural Disaster Revolving Fund (NDRF) and the Federal Reimbursement Revolving Fund (FRRF)—the bill ensures that both local entities and the state have immediate access to financial resources during and after emergencies. This dual-track structure enhances financial flexibility and responsiveness, creating a more resilient and adaptive framework for disaster management.

The bill broadens eligibility for zero-interest loans by including both political subdivisions and electric cooperatives, a critical improvement that ensures essential infrastructure providers can respond to and swiftly recover from disasters. By allowing counties, cities, towns, and electric cooperatives to access financial assistance, SB 31 enhances disaster relief efforts and prevents prolonged service disruptions, particularly in rural and underserved communities. This expanded eligibility helps preserve critical services such as electricity, water, and communications, ensuring that affected areas can recover more quickly and mitigate economic losses.

The \$150 million funding allocation further strengthens the bill’s impact by significantly increasing available resources compared to previous efforts. This enhanced funding level ensures adequate financial support without the risk of premature depletion, allowing the state to provide timely interventions and sustain recovery efforts even in the face of multiple disasters. By creating a more stable and well-resourced financing structure, SB 31 equips local governments and infrastructure providers with the tools necessary to respond effectively and efficiently to emergency situations.

The Federal Reimbursement Revolving Fund (FRRF) is another key innovation that strengthens New Mexico’s financial preparedness for disasters. By ensuring that federal disaster compensation is efficiently managed and reinvested, the FRRF creates a continuous cycle of financial readiness. This mechanism enables the state to rapidly respond to future emergencies without waiting for new appropriations or encountering administrative delays, improving overall disaster response efficiency and reinforcing long-term resilience.

PERFORMANCE IMPLICATIONS

SB 31 enhances the state’s ability to provide immediate, structured, and scalable financial support to communities affected by natural disasters. By establishing a dedicated revolving fund mechanism, the bill creates a self-sustaining financial model that allows local governments and electric cooperatives to access funding quickly while ensuring repayment through federal reimbursements. This model reduces delays in emergency response and infrastructure recovery, ensuring that communities can rebuild efficiently without being burdened by financial uncertainty.

The bill also provides a more transparent and accountable system for managing disaster-related expenditures. The requirement for detailed reporting to the Legislative Finance Committee and the Governor ensures oversight and fiscal responsibility, reinforcing confidence in the state's ability to manage disaster recovery funds effectively. The structured repayment system, combined with the enforceability provisions for loan contracts, promotes financial discipline while ensuring that funds remain available for future emergencies.

ADMINISTRATIVE IMPLICATIONS

SB 31 outlines the administration of disaster-related financial assistance by defining the roles of both DFA and DHSEM. The bill provides for coordination between these agencies, aiming to reduce redundancies and expedite the distribution of funds to affected entities. It also requires loan contracts to include specific repayment provisions to address the risk of delayed reimbursements and maintain the availability of financial resources for future disasters.

Additionally, the bill allows for reasonable administrative costs, enabling both DFA and DHSEM to allocate resources to fund management and compliance oversight. The reporting and enforcement mechanisms are structured to ensure that all loan recipients comply with the repayment terms, thereby creating a managed financial system to support disaster recovery efforts.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 31 represents a more robust and comprehensive legislative approach than SB 134 by addressing some of the limitations in the prior framework. The most notable improvement is the expanded funding allocation, increasing available resources from \$100 million to \$150 million. This increase better aligns with the demonstrated financial needs of communities recovering from disasters, ensuring that funding does not run out prematurely in the wake of multiple emergencies.

Additionally, SB 31 extends eligibility to electric cooperatives. DHSEM notes that this extension acknowledges the role of these entities in maintaining infrastructure resilience in rural areas. While SB 134 provided important access to political subdivisions, SB 31 offers a more complete approach by ensuring recovery financing for both political subdivisions and utility providers, allowing them to restore essential services more rapidly during New Mexico disasters.

The introduction of the Federal Reimbursement Revolving Fund is another key distinction that makes SB 31 a superior measure. This fund ensures that federal disaster reimbursements are properly allocated, tracked, and reinvested into state recovery efforts, preventing financial gaps that could hinder future emergency responses.

TECHNICAL ISSUES

DHSEM believes it may be worthwhile to consider raising the cap on the Natural Disaster Revolving Fund (NDRF) from \$150 million to \$500 million, while maintaining the current structure that limits annual reimbursements from the Appropriation Contingency Fund to \$150 million. This adjustment would increase the fund's long-term capacity to support multiple large-scale disasters without requiring immediate appropriations beyond the established annual limit. Given the rising costs of disaster response and recovery, a higher cap would ensure that sufficient resources remain available for future emergencies while preserving fiscal discipline by

restricting replenishments from the Appropriation Contingency Fund to a manageable level.

OTHER SUBSTANTIVE ISSUES

See above.

ALTERNATIVES

NA

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Without SB 31, New Mexico would miss a critical opportunity to enhance the efficiency and immediacy of financial assistance for communities affected by federally declared disasters. While existing disaster response mechanisms provide essential support, this bill establishes a dedicated financial tool to accelerate the delivery of funds to political subdivisions and electric cooperatives, ensuring they can recover faster and more effectively.

Zero-interest short-term loans play a vital role in bridging the financial gap for communities that have already stretched their resources responding to the immediate impacts of a disaster. Many local governments must act quickly to clear debris, restore infrastructure, and maintain essential services long before federal reimbursements arrive. SB 31 provides an immediate and structured solution to this challenge, allowing affected communities to access critical funding without delays and ensuring a smoother, more predictable recovery process.

Additionally, without the expanded \$150 million funding allocation, the state's ability to support multiple recovery efforts simultaneously would be constrained. A larger funding pool ensures that resources remain available for all impacted communities, reducing the risk that any one disaster could deplete financial support before other affected areas receive assistance. Through the enactment of SB 31, New Mexico strategically positions itself to effectively manage critical disaster recovery efforts. This legislation equips local governments with a dependable and sustainable financial mechanism, thereby enhancing community resilience and ensuring that the state is adequately prepared for future emergencies.

AMENDMENTS

NA