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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 64

SHORT TITLE: Public Project Revolving Fund Appropriations

SPONSOR: Cates

LAST ORIGINAL
UPDATE: _____ **DATE:** 1/28/2026 **ANALYST:** Ortega

APPROPRIATION* (dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
	\$6,250.0	Nonrecurring	Drinking Water State Revolving Loan Fund
	\$2,000.0	Nonrecurring	Local Government Planning Fund
	\$5,000.0	Nonrecurring	Cultural Affairs Facilities Infrastructure Fund

*Amounts reflect most recent analysis of this legislation.

REVENUE* (dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
	(13,250.0)					Nonrecurring	Public Project Revolving Fund

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

New Mexico Finance Authority

Department of Cultural Affairs

New Mexico Environment Department

SUMMARY

Synopsis of House Bill 64

House Bill 64 (HB64) appropriates \$13.3 million from the public project revolving loan fund for expenditure in FY27 and subsequent fiscal years. Appropriations are made to the following funds: \$6.3 million to the drinking water state revolving loan fund (DWSRF); \$2 million to the local government planning fund; and \$5 million to the cultural affairs facilities infrastructure

fund. This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

The appropriation of \$13.3 million contained in this bill is a nonrecurring expense to the public project revolving loan fund. Any unexpended or unencumbered balance remaining at the end of FY27 shall not revert to the public project revolving loan fund.

At the end of each fiscal year, after all debt service and other obligations are satisfied, the New Mexico Finance Authority Act (Section 6-21-6.1(A), NMSA 1978) allows the Legislature to appropriate an amount not to exceed 35 percent of the prior year's governmental gross receipts tax to seven identified funds. According to NMFA, the appropriations in HB64 total 33 percent of FY25 GGRT. NMFA noted that the remaining GGRT will be used by NMFA to fund loans and provide disadvantaged communities with subsidized interest rates – at zero percent or two percent interest rates depending on Median Household Income – on all or a portion of their loans. Additionally, the PPRF received \$40.4 million in GGRT in FY25. The appropriation contained in HB64 would be made following the June 15, 2026, bond payment, replenishment of reserves and payment of administrative fees.

One of the appropriations contained in HB64 serves as the state match for the drinking water state revolving loan fund, administered by NMFA. Capitalization grants for this federal program are substantially larger than in past years. The appropriations contained in HB64 would be made following the June 15th bond payment, replenishment of reserves, and payment of administrative expenses.

SIGNIFICANT ISSUES

Drinking Water State Revolving Loan Fund. NMFA will use the appropriation to the DWSRLF to fulfill the state match requirements for the annual EPA capitalization grant and the supplemental capitalization grant authorized by the federal Infrastructure Investment and Jobs Act (“IIJA”). Since the program's establishment in 1997, the state has received \$444 million in federal awards, which has been matched by \$64.4 million in state match. The DWSRLF is used to make low-cost loans for critical drinking water projects. As of December 2025, NMFA has made 221 DWSRLF loans totaling \$459.1 million and has approved another 3 loans totaling \$32.1 million.

Local Government Planning Fund. NMFA will use the appropriation to the LGPF to make grants to eligible entities capped at \$100 thousand per planning document and \$100 thousand per entity in a two-year period. Grants to qualified entities are determined using a sliding scale, which is primarily based on the applicants' median household income and relative rates charged for water and wastewater services. Since the inception of the program in 2002 through December 2025, the NMFA has made 438 grants totaling \$17.9 million. At present, NMFA has approved an additional 26 grants totaling nearly \$1.5 million that are awaiting completion of the planning documents prior to finalizing the grant agreement.

Cultural Affairs Facilities Infrastructure Fund. The Department of Cultural Affairs (DCA) facilities are uniquely equipped to maintain art, artifacts, exhibits and collections with

specialized climate-controlled facilities to ensure the preservation of irreplaceable collections. The cultural affairs facilities infrastructure fund was created in 2020 to provide stable revenue to DCA for maintenance and improvements to its facilities. The appropriation to the fund in HB64 will allow DCA to plan and complete vital infrastructure repairs to maintain facilities and protect the exhibits, collections, and historic sites in accordance with its statutory mandates.

PERFORMANCE IMPLICATIONS

According to the New Mexico Environment Department (NMED), passage of HB298 is essential for the agency to continue to meet its performance measures by reaching out to communities, mutual domestic water consumer associations, state agencies, special districts, and other eligible entities around the state to finance eligible water and wastewater projects. The funding will also support higher compliance rates from public drinking water systems.

ADMINISTRATIVE IMPLICATIONS

Federal guidelines allow NMFA to use up to 4 percent of the annual federal capitalization grant for administrative costs associated with the drinking water state revolving loan fund. NMFA uses these funds to pay contractors that assist NMFA in reviewing engineering documents and monitoring construction activity. Federal guidelines also allow each state to use up to 27 percent of annual EPA capitalization grants for technical assistance activities under the State Drinking Water Act, including capacity development and assistance to small water systems. EPA capitalization grants, less the dollar amount of technical set-asides utilized by the NMED and the administrative set-aside used by NMFA, are deposited in the DWSRLF along with the state match and used by NMFA to provide loans to eligible community water systems as prioritized by NMED.

Costs of program administration are reimbursed to the NMFA including paying contractors for the technical review and acceptance of planning documents related to water and wastewater infrastructure; such costs associated with this technical support are also reimbursed.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

According to NMFA, if the state match for the drinking water state revolving loan fund is not secured, the state would be unable to receive approximately \$31.3 million in federal base and supplemental capitalization grants authorized under the Infrastructure Investment and Jobs Act, which would negatively impact NMED's ability to protect public health by reducing capacity development, technical assistance, and public water system oversight statewide, and would also result in NMFA losing funding used for required engineering and construction oversight. If the appropriation to the local government planning fund is not authorized, resources available for local governments to complete planning documents may be limited in FY27. Additionally, if the appropriation to the cultural affairs facilities infrastructure fund is not authorized, the state may need to identify alternative funding sources to support the planning, design, construction, renovation, maintenance, and repair of DCA facilities and exhibits.