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Water and Natural Resources Committee: Major Fire Recovery Status Update

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Purpose

The purpose of this brief is to provide the Water and Natural Resources Committee with updates on major fire recovery efforts funded by the Legislature since 2023, including recovery from the Hermits Peak-Calf Canyon Fire as well as the Salt and South Fork fires. The following information is gathered from the Department of Homeland Security and Emergency Management, the Department of Finance and Administration, and local governments with which LFC staff have previously interacted.

Wildfires and Response

Hermits Peak-Calf Canyon Fire

After the Hermits Peak-Calf Canyon Fire in 2022, the largest state fire in history, the Legislature passed and the governor signed Senate Bill 6 (SB6) in 2023, allocating \$100 million to the Local Government Division at the Department of Finance and Administration (DFA) to provide zero-interest loans to political subdivisions affected by the fires. The loans would be repaid with the Federal Emergency Management Agency (FEMA) funds. In partnership with the Department of Homeland Security and Emergency Management (DHSEM), DFA awarded \$99.6 million to five different political subdivisions to replace or repair public infrastructure damaged by fire, flooding, or debris flows caused by or stemming from the Hermits Peak-Calf Canyon Fire. Projects include:

- \$41.1 million to Mora County for road and culvert repairs;
- \$34.2 million to San Miguel County for road and bridge repairs;
- \$22.6 million to the city of Las Vegas for debris removal projects and a temporary filtration system;
- \$1 million to Mora Mutual Domestic Water Consumers Association for a well water pump project; and
- \$500 thousand to Agua Pura Water Association for water supply system pipe repairs and replacement.

SB6 requires political subdivisions and their projects to have FEMA approval to be eligible to receive funds from the \$100 million appropriation, because federal reimbursement is assumed to be the source of funds for repayment. SB6 requires granted political subdivisions repay their loan amounts using the first dollars received from the approved federal public assistance. Loan recipients are to repay the loan within 30 days of having received approved federal public assistance funding.

Salt and South Fork Fires

In the first legislative special session of the 56th Legislature, New Mexico lawmakers passed House Bill 1 (HB1) containing emergency funding in the amount of \$70 million to DFA's Local Government Division for recovery from the Salt and South Fork fires in 2024. Similar to 2023's SB6, the federal reimbursement is the basis of the \$70 million general fund appropriation. FEMA also approved political subdivisions and their projects. For Salt and South Fork fire recovery, seven political subdivisions were deemed eligible, but only two were awarded funds.

Projects for Salt and South Fork fire recovery include:

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- \$26 million to Lincoln County for road and bridge damages in the Cedar Creek and Gavilan Canyon area
 - \$44 million to the village of Ruidoso to repair road and bridge damage in the Upper Canyon area.

LFC staff last received an update on HB1 funding on February 28, 2025, from DHSEM. As of late February, Lincoln County has received \$13 million, and the village of Ruidoso has received \$22 million, accounting for \$35 million or half of the HB1 appropriation amount as being distributed.

Separate from HB1, the Mescalero Apache Tribe received an award from DFA's New Mexico match fund, which was created to leverage federal funding. As of August 2024, DFA awarded the Mescalero Apache Tribe \$2.3 million in state funds to leverage \$21.8 million of federal funds from the U.S. Department of Agriculture's (USDA) emergency watershed program for flood mitigation, subsequent to the Salt and South Fork fires. Lincoln County was awarded \$12.5 million in state funds from DFA's match fund, leveraging \$50 million from USDA's emergency watershed program for further recovery efforts.

SB6 and HB1 Reimbursements

SB6 and HB1 were passed to provide cash flow for political subdivisions to cover the costs of federally approved projects. The legislative intent of the funds is to provide zero-interest loans to allow political subdivisions to use state funds to pay for their approved projects, to then be reimbursed federally and paid back to DFA. Though the state has appropriated a total of \$170 million to recover from damage caused by fire, flooding, or debris, completion of projects is slow.

On staff visits to burn sites last year, LFC staff heard concerns from San Miguel County that some project costs to replace and repair roads, bridges, and other critical infrastructure do not correlate with the amount appropriated or federally approved. Not all political subdivisions affected by the fires were appropriated funds for fire recovery, possibly leading to further unmet and unseen needs in the state.

SB6 Reimbursement Status Updates

As of July 2024, San Miguel County is the only entity to have received FEMA reimbursements, and the county has fully paid two of its fire recovery loans. DFA has transferred the loan repayments of \$703,626.70 to the general fund. Neither Mora County nor the city of Las Vegas have spent any funding from SB6.

In May 2025, the Attorney General and the Office of the State Auditor began a special audit into Mora County after DFA expressed concern about an unaccounted-for \$2.7 million that showed up during a preliminary audit. The county received \$41.1 million for zero-interest loans for recovery from the Hermits Peak-Calf Canyon fire but has spent no funding or completed work on recovery projects since being awarded the funding in 2023 and has not submitted an audit since FY23. While the special audit is under review, the county's most recent audit indicates Mora invested its allocation from the Hermits Peak-Calf Canyon loan recovery efforts into the State Treasurer's local government investment pool and has been pulling the interest earnings for miscellaneous costs while not spending the principal of the funding for the intended fire recovery efforts. DFA issued a request to the State Treasurer to keep Mora County from withdrawing further interest until the county uses the principal amount and is reimbursed through the FEMA process for fire recovery, as intended by the Legislature.

HB1 Reimbursement Status Updates

The most recent report from DHSEM on HB1 indicated that neither Lincoln County nor the village of Ruidoso has spent any of the HB1 funds. DHSEM notes that delays in FEMA reviews, hydrology and hydraulic studies, and site inspections have contributed to the delay in the expenditure of the emergency funds. Though not indicated in DHSEM's HB1 update, LFC staff heard from Lincoln County staff have indicated consequent natural disasters, such as flooding, have impeded the county's recovery work. The funding from SB6 and HB1 only considered fire recovery, not subsequent events that occurred due to the fires. Other events, like flooding and landslides, have occurred after these major fires, severely impacting the local response to effectively utilize SB6 and HB1 funding due to competing priorities. Lincoln County, for example, suffered severe flooding after the Salt and South Fork fires, creating debris flow on roads but did not have any designated funding to clean the debris to start working on road repairs approved by FEMA. This is a common problem among local governments that have experienced large fires.

2025 Legislation

During the 2025 legislative session, multiple pieces of legislation were passed related to wildfire preparation, response, and reimbursements:

- Senate Bill 33, which amends sections of the Forest Conservation Act and creates the Wildfire Prepared Program within the Energy, Minerals and Natural Resources Department (EMNRD), in essence allows EMNRD greater flexibility in working with communities, individuals, and qualifying political subdivisions to better protect them from wildfires.
- House Bill 553 creates the Timber Grading Act, empowering the Forestry Division of EMNRD to create and administer a certification program for the grading of structural timbers used in construction. The bill enables the use of locally produced lumber, creating a market for local small sawmills and tribally owned mills to provide certified lumber for residential and commercial building and construction.
- Senate Memorial 2 creates a study group focused on how the state can better address, avoid, and mitigate wildfires. The memorial tasks the group with preparing a list of recommendations regarding legislation and funding and outlines topic areas for the study group to address. The report is due to the appropriate interim legislative committee by November 1, 2025.
- House Bill 175, which adds and amends language within the Forest and Watershed Restoration Act, proposes to add projects that create or maintain buffers zones in and around wildland and urban areas to the list of eligible projects for funding from the forest land protection revolving fund. The bill enables State Forestry to add buffer zones to the list of eligible projects for forest land protection revolving fund, which it previously was not. In many ways, this is paired with Senate Bill 33, the Wildfire Prepared Act, further enhancing Forestry's ability to work with qualified entities to create buffer zones and treat areas to prevent wildfires.
- Senate Bill 31 establishes the natural disaster revolving fund to provide zero-interest loans to political subdivisions of the state and electric cooperatives that have been approved for Federal Emergency Management Agency (FEMA) public assistance funding following a federally declared natural disaster. The bill directs DFA to administer the loan program in consultation with DHSEM and requires loan recipients to enter into reimbursement contracts to repay the state once FEMA funds are received.