

LFC Requester:

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AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****[AgencyAnalysis.nmlegis.gov](https://www.legis.nm.gov/AgencyAnalysis) 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:** 1/20/2026*Check all that apply:***Bill Number:** HB 64Original ☒ Correction ☐Amendment ☐ Substitute ☐**Agency Name
and Code****Sponsor:** Rep. Kathleen Cates**Number:** NMFA (385)**Short** Public Project Revolving Fund
Appropriations**Person Writing** Michael Vonderheide**Phone:** 505-992-9653 **Email** mvonderheide@nmfa.net**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
(\$13,250.0)		Nonrecurring	Public Project Revolving Fund
None	\$6,250.0	Nonrecurring	Drinking Water State Revolving Loan Fund
None	\$2,000.0	Nonrecurring	Local Government Planning Fund
None	\$5,000.0	Nonrecurring	Cultural Affairs Facilities Infrastructure Fund

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or	Fund Affected
FY26	FY27	FY28		
None	None	None	N/A	N/A

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI	N/A	N/A	N/A

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

HB 64 makes non-recurring appropriations in fiscal year 2027 by transferring monies from the Public Project Revolving Fund (“PPRF”) to the three identified funds for expenditure in FY 2027 and beyond:

The first appropriation is for \$6.25 million to the Drinking Water State Revolving Loan Fund (“DWSRLF”) held at the New Mexico Finance Authority (“NMFA”), which will serve as the State’s required 20% match for the federal fiscal year 2026 Environmental Protection Agency (“EPA”) base capitalization grant and supplemental capitalization grant authorized by the federal Infrastructure Investment and Jobs Act (“IIJA”) estimated to total \$31.25 million. These funds will be used primarily to make low-cost loans for water quality projects as provided by the DWSRLF Act, §§6-21A-1 *et seq.* NMSA 1978, as amended and supplemented from time to time.

The second appropriation is for \$2.0 million to the Local Government Planning Fund (“LGPF”) administered by NMFA pursuant to the provisions of Section 6-21-6.4 NMSA 1978 as amended, for the purpose of funding local government and other qualified entities’ planning documents for infrastructure, water and wastewater public project development, water conservation plans, long-term master plans, economic development plans, affordable housing plans, energy audits, flood inundation maps, or to obtain archaeological clearances.

The third appropriation is for \$5.0 million to the Cultural Affairs Facilities Infrastructure Fund pursuant to the provisions of Section 6-21-6.1 NMSA 1978 as amended, for expenditure in fiscal year 2027 and subsequent fiscal years for the purpose of providing the Department of Cultural Affairs with funding to pay for planning, engineering, designing, constructing, renovating, repairing, equipping, and furnishing department facilities and exhibits.

FISCAL IMPLICATIONS

Drinking Water State Revolving Loan Fund

The NMFA will use the appropriation to the DWSRLF to fulfill the 20% state match requirement for the annual EPA base capitalization grant and 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, 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

The NMFA will use the appropriation to the LGPF to make grants to eligible entities capped at \$100,000 per planning document and \$100,000 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, primarily to support water and wastewater projects, but also including Comprehensive Plans, LEDA Plans, Metropolitan Redevelopment Plans and others. At present, NMFA has approved an additional 26 grants totaling \$1.5 million that are awaiting completion of planning documents prior to finalizing the grant agreements.

SIGNIFICANT ISSUES

The PPRF has achieved an AAA/Aa1 bond rating by effectively structuring underlying PPRF loans and utilizing legislative and strategic credit enhancements. The key PPRF credit enhancement is the 75% share of Governmental Gross Receipts Tax ("GGRT") received monthly by the PPRF pursuant to Section 7-1-6.38(A) of the Tax Administration Act.

During the course of each fiscal year, all PPRF loan payments and disbursements of the GGRT are held in a trust bank account until all bond debt service payments are made for the fiscal year, concluding on June 15th. After June 15th, funds not needed to make debt service on bonds or to replenish or enhance bond reserve funds are available to (1) fund annual legislatively authorized transfer in an amount not to exceed 35% of the prior year's GGRT, pursuant to Section 6-21-6.1(A) of the NMFA Act; (2) pay PPRF operating costs; and (3) provide the PPRF with funds to make new loans.

The PPRF received \$40.4 million in GGRT in FY 2025. HB 64 appropriates \$13.25 million, approximately 33% of the GGRT collections and within the parameters set for in Section 6-21-6.1(A). The remaining GGRT will be used by NMFA to fund loans and provide disadvantaged communities with subsidized interest rates -- at 0% or 2% interest rates depending on Median Household Income -- on all or a portion of their loans.

PERFORMANCE IMPLICATIONS

The dedication of GGRT to the PPRF is the foundation of the strength of the PPRF program. The PPRF has a reputation with national banking firms, investors, rating agencies and other knowledgeable parties as being among the most effective and well-structured state infrastructure financing programs in the country. GGRT is a serious focus for both rating agencies and bondholders as they monitor GGRT very closely, both in terms of bond debt service coverage and of PPRF program liquidity. The distribution from the PPRF to the three other funds is consistent with the law and will not impact NMFA's PPRF operations.

ADMINISTRATIVE IMPLICATIONS

Local Government Planning Fund

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.

Drinking Water State Revolving Loan Fund

Federal guidelines allow NMFA to use up to 4% of EPA capitalization grants for administrative costs associated with the program. NMFA uses these funds to pay contractors that assist NMFA in reviewing engineering documents, completing environmental reviews, and monitoring construction activity.

Federal guidelines also allow each state to use up to 27% of annual EPA capitalization grants to fund certain technical activities that carry out provisions of the State Drinking Water Act (“SDWA”), such as:

- Develop technical, managerial, and financial capacity for local water systems.
- Assist entities in addressing deficiencies to improve water system infrastructure and meet SDWA requirements.
- Provide technical assistance targeted to systems serving 10,000 persons or less.

EPA capitalization grants, less the dollar amount of technical set-asides utilized by the New Mexico Environment Department (“NMED”) and the administrative set-aside used by NMFA, are deposited in the DWSRLF along with the state match. The NMFA can then utilize funds in the DWSRLF to make loans to community water systems for eligible water system improvements as prioritized by NMED.

OTHER SUBSTANTIVE ISSUES

One of the appropriations contained in HB 64 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 HB 64 would be made following the June 15th bond payment, replenishment of reserves and payment of administrative expenses.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Drinking Water State Revolving Loan Fund

If the funding required for the state match is not secured, the State will be unable to receive the annual EPA base capitalization grant and supplemental capitalization grant authorized by the federal Infrastructure Investment and Jobs Act (“IIJA”) totaling \$31.25 million in federal funds. Not receiving these grants would negatively impact NMED’s ability to protect public health throughout New Mexico by reducing funding for personnel that provide capacity development and technical assistance to water systems statewide as the agency oversees Public Water Supply Supervision. Additionally, NMFA would lose funding it currently uses to pay for engineering and construction oversight services required for the federal program.

Local Government Planning Fund

Funds for planning documents may be limited in FY 2027.

Cultural Affairs Facilities Infrastructure Fund

The State may need to find alternative funds for the purpose of providing the Department of Cultural Affairs with funding to pay for planning, engineering, designing, constructing, renovating, repairing, equipping, and furnishing department facilities and exhibits.