

LFC Requester:**Antonio Ortega****AGENCY BILL ANALYSIS - 2026 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:** 01/23/2026*Check all that apply:***Bill Number:** HB 64Original Correction Amendment Substitute **Sponsor:** Kathleen Cates**Agency Name****and Code**NMED - 667**Short** Public Project Revolving**Number:****Person Writing** Jonas ArmstrongFund Appropriations**Email****Phone:** 505-670-9050 : Jonas.Armstrong2@env.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
	\$13,250	Nonrecurring	Public Project Revolving Fund

Duplicates/Conflicts with/Companion to/Relates to:

SECTION III: NARRATIVE**BILL SUMMARY****Synopsis:** House Bill 64 (“HB64”) appropriates \$13,250,000 from the Public Project Revolving Fund (PPRF) for fiscal year 2027 (FY27) and future fiscal years.

HB64 appropriates \$6,250,000 to the Drinking Water State Revolving Loan Fund (DWSRLF) to provide the required 20 percent state match for New Mexico’s federal Drinking Water State Revolving Fund (DWSRF) allocation from the United States Environmental Protection Agency (EPA).

HB64 also appropriates \$2,000,000 to the local government planning fund for expenditure in FY27 and future fiscal years.

Finally, HB64 appropriates \$5,000,000 to the Department of Cultural Affairs’ facilities infrastructure fund for expenditure in FY27 and future fiscal years.

FISCAL IMPLICATIONS

HB64 has significant fiscal implications for the New Mexico Environment Department (NMED) and the New Mexico Finance Authority (NMFA). The \$6.25 million appropriation directed from the Public Project Revolving Fund (PPRF) would be deposited into the Drinking Water State Revolving Loan Fund (DWSRLF), which resides at NMFA and is used to provide loans and subsidies for drinking water infrastructure projects statewide. This appropriation would be used to meet the required 20 percent state match to support New Mexico's federal Drinking Water State Revolving Fund (DWSRF) award from the United States Environmental Protection Agency (EPA).

This state match helps ensure New Mexico can fully access and leverage its federal DWSRF capitalization grant. As with prior years, a portion of the federal DWSRF award (up to 31 percent) may be used as federal "set-aside" funding pursuant to federal law to support drinking water program oversight, technical assistance, and system capacity-building activities. These set-aside activities are implemented through NMFA and NMED and help improve water system compliance, strengthen long-term system management, and protect public health.

NMED's existing proposed operating budget already assumes this appropriation and the related federal revenue will be received. As a result, there is no additional operating budget impact beyond what is already included in NMED's current budget request.

SIGNIFICANT ISSUES

The appropriations in HB64 will fulfill the 20 percent state match required to access federal funds provided by the United States Environmental Protection Agency (EPA) to the Drinking Water State Revolving Fund (DWSRF) (42 U.S.C. § 300j-12(e)). Authorization of HB64 is essential for New Mexico to secure these federal funds, which are critical for maintaining and upgrading the state's aging drinking water infrastructure. These investments not only protect public health but also support the state's long-term economic viability.

The appropriations proposed in HB64, along with the federal funds they leverage, will provide additional capital to the DWSRF. This program offers low-interest loans and subsidies to assist New Mexico's local governments in improving and modernizing drinking water system infrastructure.

As the designated grantee for federal DWSRF funds, the New Mexico Finance Authority (NMFA) works in partnership with NMED, which serves as a sub-grantee responsible for up to 27 percent of the allowable set-aside programs. These federally leveraged funds support a broad range of activities, including regulatory oversight, emergency response preparedness, technical assistance, and training to ensure Safe Drinking Water Act compliance. Additionally, the funds support NMED's regional collaboration efforts aimed at advancing regionalization, provide direct compliance assistance to public water systems, and strengthen the certification and professional development pipeline for utility operators. Together, these initiatives build the capacity of New Mexico's public water systems to deliver safe, reliable drinking water to the communities they serve.

Additionally, HB64 strengthens NMED's compliance and enforcement capacity. Access to DWSRF financing allows public water systems to address infrastructure-related violations, reducing prolonged noncompliance and minimizing the need for escalated enforcement actions.

PERFORMANCE IMPLICATIONS

The passage of HB64 is essential for NMED to meet its performance goals by supporting outreach and financing for communities, Mutual Domestic Water Consumer Associations, state agencies, special districts, and other eligible entities across New Mexico. These efforts are critical for funding drinking water infrastructure projects that ensure safe and reliable water service statewide.

HB64 will also support improved compliance outcomes for public drinking water systems. The infrastructure investments enabled by this legislation help systems meet both current and emerging drinking water treatment and delivery requirements, strengthening public health protection. This funding also supports assistance and oversight programs that improve system operations, management, and long-term sustainability.

Higher compliance rates translate to more reliable, high-quality drinking water for New Mexicans, including reduced exposure to harmful contaminants such as lead, uranium, and arsenic. In addition, the upgraded infrastructure supported by HB64 will help systems prepare for emerging contaminant requirements, including per- and polyfluoroalkyl substances (PFAS), which are expected to create significant compliance challenges as new national drinking water standards are implemented. By addressing both current and future water quality needs, HB64 directly supports NMED's performance measures, including increasing the percentage of New Mexicans served by systems that meet health-based standards and reducing violations through targeted financing and technical assistance.

ADMINISTRATIVE IMPLICATIONS

None identified.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None identified.

TECHNICAL ISSUES

None identified.

OTHER SUBSTANTIVE ISSUES

None identified.

ALTERNATIVES

None identified.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB64 is not enacted, New Mexico risks losing access to a significant portion of its federal Drinking Water State Revolving Fund (DWSRF) capitalization grant due to the inability to meet the required 20 percent state match. Without this match, the state would either have to identify an alternative funding source to secure the federal award or forgo critical federal infrastructure dollars needed to improve and modernize drinking water systems statewide.

Without these investments, many communities would face delays in repairing, replacing, or upgrading aging drinking water infrastructure. This increases the likelihood of ongoing compliance problems and service disruptions, and it raises the risk that New Mexicans will continue receiving drinking water that does not consistently meet health-based standards.

In addition to the immediate loss of federal funding and infrastructure improvements, the state

would also lose the long-term benefit of the revolving loan structure, including loan repayments and interest that help sustain the fund over time. The inability to draw down full federal funding would also reduce federal “set-aside” resources that support critical program functions such as technical assistance, training, system capacity-building, and oversight activities necessary to maintain Safe Drinking Water Act compliance statewide.

The lack of funding would also reduce NMED’s capacity to support public water systems in returning to compliance, increase the likelihood of prolonged violations, and may trigger additional federal oversight or intervention. Enforcement actions would be less effective without the ability to fund corrective infrastructure improvements and technical assistance.

AMENDMENTS

None identified.