

LFC Requester:

Antonio Ortega

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

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(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: 1/28/26 **Bill Number:** HB176 **Original** **Amendment** **Substitute**

Short Title: CREATE ZERO INTEREST DOWN PAYMENT LOAN FUND

Sponsor: Rep. Alan Martinez

Name and Code Number: HCA 630

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$0	\$0	NA	NA

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
\$0	\$0	\$0	NA	NA

(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	\$0	\$0	\$0	\$0	NA	NA

(Parenthesis () Indicate Expenditure Decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: House Bill 176 (HB176) creates the “Zero Interest Down Payment Loan Fund” for first-time home buyers. In creating the new fund, the Act also eliminates distributions currently made from the Excess Extraction Taxes Suspense Fund to several existing funds, including a) the Early Child Education Care Fund, b) the Behavioral Health Trust Fund, and c) the Medicaid Trust Fund.

FISCAL IMPLICATIONS

House Bill 176 would have a negative fiscal impact on the Health Care Authority (HCA) by diverting revenues that would otherwise be distributed to the Medicaid Trust Fund and Behavioral Health Trust Fund to the newly created Zero Interest Down Payment Loan Fund. While the bill does not appropriate or reduce General Fund dollars directly to HCA, it reduces non-recurring revenue sources that supports Medicaid and behavioral health services sustainability.

Revenue Impacts

Medicaid analysis:

The bill eliminates statutory distributions to the Medicaid Trust Fund from excess federal Mineral Leasing Act revenues (Section 9-29A-3 NMSA 1978).

Under current law, during FY26–FY28, 50 percent of excess Mineral Leasing Act receipts are distributed to the Medicaid Trust Fund (subject to balancing provisions with the Early Childhood Education and Care Fund).

HB 176 redirects 100 percent of those excess revenues to the Zero Interest Down Payment Loan Fund, resulting in a loss of potential deposits to the Medicaid Trust Fund beginning FY27.

Behavioral Health Services Division (BHSD) analysis:

Under current law, the Behavioral Health Trust Fund is projected in the FY27 executive budget to reach approximately \$217.8 million by the end of calendar year 2027, reflecting initial general fund capitalization and anticipated excess oil and gas revenue distributions.

HB176 would redirect anticipated excess extraction tax revenues away from the Behavioral Health Trust Fund beginning in FY27, slowing growth of the fund and delaying progress toward its intended long-term funding level. The magnitude of foregone revenue cannot be determined in advance and is contingent upon future oil and gas revenue performance and reserve levels.

Reduced growth of the Behavioral Health Trust Fund will limit the availability of future earnings-

based distributions intended to support statewide behavioral health system investments. In the absence of these revenues, continued implementation of the Behavioral Health Reform and Investment Act (SB3, 2025), including sustained funding for regional behavioral health infrastructure, will require increased reliance on general fund appropriations in future fiscal years.

Impact on Medicaid Financing –

The Medicaid Trust Fund is intended to provide long-term financial stability for the Medicaid program, including:

- Offsetting future General Fund obligations
- Supporting program growth, enrollment increases, or federal funding changes

Reduced or eliminated deposits to the Medicaid Trust Fund may:

- Increase future reliance on General Fund or other revenue sources
- Limits HCA's ability to mitigate federal policy or matching-rate changes
- Reduced financial flexibility during economic downturns

Expenditure Impacts

HB 176 does not create new Medicaid benefits, eligibility changes, or administrative responsibilities for HCA or MAD.

Overall Fiscal Effect on HCA

Negative long-term fiscal impacts could arise from reduced Medicaid and behavioral health reserve funding should it be needed, thus increasing reliance on recurring General Fund appropriations or other revenue sources.

SIGNIFICANT ISSUES

BHSD Significant Issues:

By reducing anticipated growth of the Behavioral Health Trust Fund, the bill may affect the state's long-term capacity to support the regional behavioral health system established under SB3. Delayed trust fund growth could limit the availability of stable, recurring funding for regional service delivery and system transformation efforts.

PERFORMANCE IMPLICATIONS

The amount transferred to the Zero Interest Down Payment Loan Fund would fluctuate, limiting the Mortgage Finance Authority's ability to project how many eligible individuals would be served annually and/or plan for the workforce support needed to distribute funding.

There is no limit on a home's purchase price, which further limits the accuracy of projections of the number of eligible individuals to be served with zero interest down payment loans and the total amount of loans that would be made.

ADMINISTRATIVE IMPLICATIONS

None

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

None

TECHNICAL ISSUES

The Mortgage Finance Authority is now known as Housing New Mexico.

Often, housing service programs follow the Department of Housing and Urban Development guidelines for Area Median Income rather than the Federal Poverty Level as the bill directs.

OTHER SUBSTANTIVE ISSUES

None

ALTERNATIVES

None

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Medicaid and behavioral health services (in addition to early childhood) will continue to have critical reserve funding available in times of need.

AMENDMENTS

None