

LFC Requester: _____

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

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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: 2/1/2026 *Check all that apply:*
Bill Number: H246 Original Correction
 Amendment Substitute

Sponsor: Rep. Vincent
 Rep. Duncan

Agency Name and Code Number: DFA-341

Short Title: MATCHING FUNDS FOR FLOODPLAIN LAND REHAB

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
	\$62,000.00	Nonrecurring	GF

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		

(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						

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 246 (HB246) aims to allocate funds to help New Mexico's political subdivisions acquire and rehabilitate land in floodplains, returning it to its natural state. This initiative targets areas that pose threats to life, safety, or public infrastructure due to natural disasters or ongoing flood risks.

Key Provisions:

- Appropriation Amount: \$62,000,000 is appropriated from the general fund.
- Timeframe: The funds are designated for expenditure during fiscal years 2027 through 2029.
- Usage: The funds will serve as state matching contributions for federal assistance programs aimed at floodplain land rehabilitation.
- Reversion Clause: Any unspent funds by the end of fiscal year 2029 will revert to the general fund.

FISCAL IMPLICATIONS

Overall, HB246 requires a significant upfront investment, but it has the potential to generate long-term savings by reducing the financial impact of future flooding and natural disasters.

- Direct Costs: \$62 million over FY 2027–2029 to support match requirements tied to federal funding awards.
 - Budgetary Impact: The appropriation is a one-time general fund outlay over three fiscal years. Funds not spent by FY 2029 revert to the general fund, limiting long-term obligations.
- Leveraged Federal Funding and Return on Investment: Although specific projected leverage figures for HB246 are not officially released, state match funds have historically unlocked larger federal grants, suggesting potential \$2+ leverage of federal resources (similar to the existing New Mexico Match Fund experience).
 - If this program provides access to large federal conservation and flood mitigation funds (e.g., FEMA or NRCS watershed programs), the state could effectively multiply its investment through federal awards.
- Economic and Secondary Effects: Investments in floodplain acquisition and rehabilitation can reduce future disaster recovery costs, enhance risk reduction, and potentially improve land values and public safety. These savings are difficult to quantify precisely but are material over decades, especially as flood risk increases.

SIGNIFICANT ISSUES

- **Duplication & Overlap with Existing Programs:** New Mexico already has a broader New Mexico Match Fund, established by HB 177, which provides state matching dollars across a spectrum of federal programs (infrastructure, research, energy, etc.).
 - Without clear coordination mechanisms, HB246's narrow focus on floodplain land acquisition might duplicate match capabilities or leave implementation siloed from broader match resource strategies.
- **Equity and Geographic Distribution:** HB246 does not specify priority criteria for fund distribution (e.g., rural/urban mix, tribal needs). Without explicit targets, allocations may disproportionately favor regions or jurisdictions that already have grant-writing capacity.
- **Capacity of Political Subdivisions:** Smaller or rural jurisdictions often lack the staff or expertise to apply for federal funds or manage large grants; HB246 needs clear capacity-building or technical assistance provisions to ensure equitable access. Otherwise, the bill could create demand for DFA's existing technical assistance services beyond current capacity.

PERFORMANCE IMPLICATIONS

- **Limited Scope of Impact:** HB246 only provides funds to political subdivisions that have already been approved for federal assistance.
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- **Timeline and Execution:** Allocations are spread over three fiscal years, with final reversion in FY 2029. Timely grant rounds and reporting deadlines will be crucial to ensure funds are used within the allowed time windows and to align with federal program deadlines. The NM Match Fund program has experienced delays in federal awards of up to 18 months or more.

ADMINISTRATIVE IMPLICATIONS

- **DFA's Role:** DFA will need to administer this specific match program. This may require additional staffing or resource allocation within DFA, particularly for reviewing applications, coordinating with federal agencies, ensuring compliance, and tracking outcomes.
- **Interagency Coordination:** DFA may need to work with other agencies such as the State Land Office, DHSEM, EMNRD, Office of Housing, and local planning bodies to identify eligible properties, assess flood risk, and align rehabilitation plans with broader land-management strategies.
- **Reporting Requirements:** HB246 text, as stated, does not explicitly require public reporting on outcomes or expenditures. Establishing statutory reporting obligations would improve transparency.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB246 may conflict with § 9-6-20, NMSA 1978, the New Mexico Match Fund.

TECHNICAL ISSUES

N/A.

OTHER SUBSTANTIVE ISSUES

- **Grant Management Systems:** Efficient administration of matching funds requires robust grant management infrastructure. Existing systems (e.g., the NM Match Fund platform) could be leveraged for tracking and compliance.
- **Compliance and Audit Requirements:** Recipients must comply with federal grant requirements, which often include strict procurement rules, reporting obligations, and financial accountability. DFA must ensure adequate oversight to prevent misallocation or audit findings.
- **Data Standards:** Establishing consistent definitions for land acquisition costs, rehabilitation benchmarks, and flood risk assessments is essential for uniform evaluation and reporting.

ALTERNATIVES

- **Match Fund Background:** The NM Match Fund (established under HB 177 [§9-6-20, NMSA 1978] in 2024 and administered by DFA) provides matching grants and related support to help state, tribal, and local entities qualify for and implement federal grants across infrastructure, research, economic development, and other domains.
- **Linkages:**
 - **Similar Mechanism:** HB246 uses the same state match concept — offering state funds to unlock federal resources — as the broader NM Match Fund.
 - **Narrower Focus:** Unlike NM Match Fund’s multi-sector eligibility, HB246 is focused specifically on floodplain land acquisition and restoration.
- **Opportunities for Streamlining and Leveraging of Existing Systems and Capacity:** Redirecting the HB246 appropriation into the New Mexico Match Fund is an efficient use of existing state program, system and resources. Using a Match Fund infusion to support the purposes of the HB246 appropriation would streamline application reviews and monitoring, thereby minimizing delays for eligible entities to seek and receive a matching grant.
 - When paired with NM Match Fund’s project implementation and federal compliance offset grants, floodplain rehabilitation projects could benefit from capacity funding and compliance cost coverage, reducing barriers for smaller entities.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

N/A.

AMENDMENTS

N/A.