

LFC Requester:

Allegra Hernandez

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](https://www.legis.state.nm.us/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: 2.5.2026

Check all that apply:

Bill Number: HB 314Original Correction Amendment Substitute

Sponsor: Mark B. Murphy; Angelita Mejia; Jonathan A. Henry; Jimmy G. Mason; Andrea Reeb

Short Title: Zero-Interest Loans for Flood Damage

Agency Name and Code: NM Department of Homeland Security & Emergency Management-79500

Person Writing: Amber GonzalesPhone: 505-487-6692 Email: Amber.gonzales@dhsem.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
	\$150,000.0	Nonrecurring	General Fund

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
		\$150,000.0	Nonrecurring	General Fund

(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 314 establishes a temporary zero-interest loan program administered by the Local Government Division of the Department of Finance and Administration to assist political subdivisions in repairing or replacing public infrastructure damaged by flooding and debris flows resulting from the October 19, 2024, storm event in Chaves County. Loan eligibility is limited to political subdivisions that have been approved for federal public assistance funding.

The bill requires consultation with the New Mexico Department of Homeland Security and Emergency Management and provides interim financing to support eligible flood recovery projects while federal reimbursement is pending. The bill includes appropriation for implementation and is intended to support the timely recovery and mitigation of ongoing flood risks

FISCAL IMPLICATIONS

HB 314 appropriates \$150,000,000 from the general fund to the DFA/Local Government Division (LGD) for FY27 and FY28 to provide zero-interest loans for eligible flood and debris-flow infrastructure projects tied to the October 19, 2024, storm event in Chaves County. Any unexpended balance remaining at the end of FY28 reverts to the general fund. The bill does not appropriate funds to DHSEM.

The bill includes detailed repayment provisions to protect state funds. Each borrower must enter a reimbursement contract requiring that the first dollars received from approved federal Public Assistance funding be used to repay the loan. Repayment is required within thirty days of receipt of the federal funds that served as the basis for loan approval. If a borrower fails to comply with these repayment requirements, the loan becomes subject to repayment at the current market interest rate. Loan repayments are deposited into the general fund, and the Secretary of Finance and Administration is authorized to take legal action to enforce repayment terms.

SIGNIFICANT ISSUES

Flood-damaged infrastructure and unresolved debris flows can increase the risk of recurring flooding and impede community recovery. By providing interim financing for federally eligible projects, HB 314 supports timely infrastructure repair and debris removal, which aligns with flood mitigation principles and may reduce future disaster impacts.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

HB 314 references that project eligibility will be developed in consultation between DFA and DHSEM but does not address the eligibility of the reimbursement reconciliation process. These actions have implicit administrative burdens on DHSEM without providing any administrative overhead funds.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 31, which passed in Laws of 2025, created the zero-interest revolving loan fund to provide zero-interest, reimbursable loans to political subdivisions and electrical cooperatives that are approved for federally declared natural disasters. This bill (HB 314) is duplicative of existing mechanisms, is narrower and more prescriptive, whereas the laws of 2025 Chapter 157 Zero

Interest Natural Disaster Loan Fund already cover the same FEMA-approved and obligated projects referenced here.

- City of Roswell is eligible for a zero-interest credit facility through SB31, which can provide upfront funding for projects that are obligated by FEMA, but require work to be completed (e.g., the \$5,571,047.43). The City of Roswell has submitted a total of 6 projects to the Zero-Interest Revolving Loan Fund (SB 31):
 - Two projects have been deemed ineligible because these projects cover work completed and is currently being processed by DHSEM reimbursement. The emergency protective work is 100% complete, and the Applicant is currently awaiting reimbursement of 75% of the obligated project funds
 - Two projects are currently approved for the SB31 credit facility: totaling \$9,914,203.02
 - Additional projects which are in the project formulation process will also be eligible for SB31 once they are obligated by FEMA: Totaling \$5,637,054.38

Duplicative efforts with proposed legislation, SB 215 (2026).

TECHNICAL ISSUES

- The City of Roswell has 77 projects which are active in the FEMA Public Assistance program, with a total estimated value of \$148,581,950.07:
 - 26 projects are obligated (awarded) by FEMA, with a best available cost of \$15,318,787.77.
 - *Note:* There are two projects valued at over \$1M for which FEMA will adjust its final award to reflect actual costs.
 - *Note:* FEMA will reimburse the 75% federal cost share for these projects (est. \$11,489,090.83).
 - 51 projects are in the project formulation and review process by FEMA, with an estimated value of \$133,263,162.30.
 - *Note:* These projects are actively being evaluated, and their total value may change as actual costs are verified.
- The 51 projects that are under review and development with FEMA are in varying stages of review. If these are verified to be tied to the disaster and with reasonable costs, they are expected to be approved by FEMA.
 - 21 projects with an estimated value of \$118,119,513.54 are still being actively formulated.
 - 11 projects with an estimated value of \$569,398.41 are under review by FEMA's Consolidated Resource Center.
 - 9 projects with an estimated value of \$14,574,250.36 are under review for compliance with the Environmental and Historic Preservation Act compliance and mitigation scope costing.
 - 10 projects with an estimated value of \$13,591,023.98 are under final review by FEMA.
- DHSEM is processing reimbursement for the federal cost share for obligated projects \$11,489,090.83, for which work is completed.
 - DHSEM has processed 15 project reimbursements valued at \$3,284,506.66.

- DHSEM and DFA are actively processing payment on 1 project reimbursement valued at \$2,216,176.33.
- DHSEM is actively reviewing and validating costs for 4 project reimbursements valued at \$417,360.46.
- Roswell must complete work and submit invoices to demonstrate work completion for 7 projects valued at \$5,571,047.43.
 - *Note:* The projects that are obligated (awarded) by FEMA may only be reimbursed once work is completed.
 - *Note:* See below for how these projects can be funded upfront through the SB31 process.

OTHER SUBSTANTIVE ISSUES

Chavez County, per HB 314, would be required to repay the DFA using the first dollar received from FEMA reimbursement, whereas existing legislation allows for a 30-day repayment. HB 314 allows Chavez County to work directly with the DFA, whereas existing legislation reduces the risk of federal noncompliance due to validation with the State’s representative flow-through agency with FEMA (DHSEM). Additionally, existing legislation provides administrative budget for maintaining these safeguards as well as administering oversight of enacted legislation, where HB 314 provides no such mitigations to risk and administrative overhead funds. As written, HB 314 funds are designed to fund one-time responses and restore the general fund with unused funds, whereas the existing legislation allows for revolving capacity to respond to future disasters by reverting funds to the Natural Disaster Revolving Fund.

ALTERNATIVES

Because of the existing legislation, 2025 Chapter 157 Zero Interest Natural Disaster Loan Fund, the funds proposed in HB 314 should be reconsidered and reallocated to the existing fund and purpose.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If HB 314 is not enacted, political subdivisions may experience delays in repairing flood-damaged infrastructure, which could prolong recovery and increase the risk of additional flood-related damage.

AMENDMENTS