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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 314

SHORT TITLE: Zero-Interest Loans for Flood Damage

SPONSOR: Murphy/Mejia/Henry/Mason/Reeb

LAST ORIGINAL
UPDATE: _____ **DATE:** 2/8/2026 **ANALYST:** Hernandez

APPROPRIATION* (dollars in thousands)

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

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies That Were Asked for Analysis but did not Respond

Department of Finance and Administration

New Mexico Mortgage Finance Authority

Department of Homeland Security and Emergency Management

Agency or Agencies That Declined to Respond

Energy, Minerals and Natural Resources Department

SUMMARY

Synopsis of Senate Bill 314

Senate Bill 314 (SB314) appropriates \$150 million from the general fund to the Department of Finance and Administration (DFA), in consultation with the Department of Homeland Security and Emergency Management (DHSEM), for the purpose of providing zero-interest reimbursable loans to subdivisions of the state that have been approved for federal public assistance funding for projects to replace or repair public infrastructure damaged by the flooding in Chaves County in October 2024.

The language of SB314 specifies federal dollars must first be used and the loan must be repaid within 30 days of having received federal public assistance. The Local Government Division at DFA must determine the reporting requirements to ensure compliance. And, if an entity is found noncompliant, all loan repayments must be made at current market interest rates.

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

The appropriation of \$150 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY28 shall revert to the general fund. However, the timing of the repayments is subject to the timing and availability of the approved federal funds. Any repayment of loans would be a nonrecurring increase to the state's revenue. Due to various federal delays, the repayment of these loans in HB314 is unlikely to be received within the next few fiscal years based on progress of similar previous legislation. This indicates the FY28 reversion date would not be sufficient for projects to be completed and receive repayments of loans before funds revert.

SIGNIFICANT ISSUES

Chaves County faces significant flood damage after storms and flooding that occurred in October 2024. On November 2, 2024, the federal government declared a disaster in New Mexico due to severe storm and flooding on October 2024 in Chaves County, freeing up Federal Emergency Management Agency (FEMA) funding for affected areas, including grants for temporary housing and home repairs, low-cost loans to cover uninsured property losses, and other programs to help individuals and business owners recover. The declaration states, "Federal funding also is available to state, tribal and eligible local governments and certain private nonprofit organizations on a cost-sharing basis for emergency work and the repair or replacement of facilities damaged by the severe storm and flooding." There are federal awards already set in place; however, they are not zero-interest loans and are on a cost-sharing basis for political subdivisions. FEMA would pay 75 percent of the project, and the political subdivisions would pay the remaining 25 percent.

Federal Reimbursements. Current federal reimbursement practices do not provide the state with the flexibility and speed necessary to respond to natural disasters. Research done by Pew Charitable Trusts on the state's current budgeting and tracking of wildfire suppression and recovery notes gaps in accessibility and transparency of the data—data the state could utilize to plan and budget for disasters.

Pew's research recommended comparing actual spending versus expected spending, assessing threats for disasters, and implementing tools, like the federal reimbursement revolving fund, to enhance the state's ability to monitor and budget for disaster suppression and recovery. Further, Pew research notes this enhanced tracking will make spending data on disasters and federal reimbursements more accessible, transparent, and comprehensive.

Timeliness. DHSEM noted in a similar bill last year that, currently, political subdivisions affected by natural disasters must wait for FEMA reimbursements, a process that can last months. HB314 has the potential to act as a bridge between recovery and reimbursement. Due to the complex nature of disaster recovery, DHSEM noted timely access to funds is necessary to provide funding for actions, such as debris removal, infrastructure repair, and emergency services; while federal funding is typically available for actions like these, funding is often delayed or difficult to immediately spend.

ADMINISTRATIVE IMPLICATIONS

Based on previous analysis of similar legislation, DFA likely would require additional staff and resources to manage the loan program.

AH/hg/sgs