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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 88

SHORT TITLE: Land Grant-Merced Assistance Fund Changes

SPONSOR: Rep. McQueen/Sen. Stefanics

LAST ORIGINAL
UPDATE: _____ **DATE:** 1/26/26 **ANALYST:** Francis

REVENUE*
(dollars in thousands)

| Type | FY26 | FY27 | FY28 | FY29 | FY30 | Recurring or Nonrecurring | Fund Affected |
|---|------|----------|----------|----------|----------|---------------------------|---------------|
| Land grant-merced assistance fund reversion | | (\$54.6) | (\$54.6) | (\$54.6) | (\$54.6) | Recurring | General fund |

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 21 and Senate Bill 89

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Office of the State Auditor

Department of Finance and Administration

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

University of New Mexico

SUMMARY

Synopsis of House Bill 88

House Bill 88 (HB88) modifies the distribution thresholds for the land grant-merced assistance fund and makes the fund nonreverting. The following table shows the distribution levels for land grants-mercedes as amended by HB88.

| HB88 Qualifications based on Annual Audited Revenue of the Land Grant Merced | | |
|--|--------------------------|-------------------|
| Annual audited revenue | Current law distribution | HB88 distribution |
| (1) less than \$50,000 | 100% | 100% |
| (2) at least \$50,000 but less than \$100,000 | 75% | 100% |
| (3) at least \$100,000 but less than \$250,000 | 75% | 75% |
| (4) at least \$250,000 but less than | 50% | 50% |

| | | |
|-----------------------|-----|-----|
| \$500,000 | | |
| (5) \$500,000 or more | 25% | 25% |

The Office of the State Auditor (OSA) audits all land grants-mercedes for compliance with the Audit Act. In FY 2026, 18 of the 24 eligible land grants-mercedes were compliant, which is similar to prior years. Distributions from the fund are made to compliant land grants-mercedes based on their annual income exclusive of capital outlay, federal revenue, or private grants. A 100 percent qualifying share is calculated by dividing the total amount available in the fund by the number of qualifying land grants-mercedes.

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

FISCAL IMPLICATIONS

The land grant-merced assistance fund receives .05 percent of the net receipts attributable to gross receipts tax after distribution.¹ According to the DFA, the agency which administers the fund, the amount available for distribution has averaged \$2.1 million over the last 3 years. In FY 2024, there were 13 recipients receiving full distributions, 4 receiving 75% distributions, and none receiving lower distributions. In FY 2025 and FY 2026, only 2 received the 75% distribution, indicating the revenue for 2 of the recipients declined below \$50,000. Those remaining 2 above the \$50,000 threshold did not have more than \$100,000 in annual revenue and would benefit from HB 88, according to DFA. (see attachment #1 for DFA table).

As more land grants-mercedes qualify for the full distribution, less funding is likely to remain in the land grant-merced assistance fund at the end of each fiscal year. HB 88 changes the fund from a reverting fund—where year-end balances revert to the general fund—to a nonreverting fund. As a result, amounts that previously reverted to the general fund would remain in the fund. For example, \$61.6 thousand reverted to the general fund in FY25, and the average annual reversion over FY24–FY26 was \$54.6 thousand.

The bill does not include a recurring appropriation, but diverts or “earmarks” revenue, representing a recurring loss from the general fund. LFC has concerns with including continuing distribution language in the statutory provisions for funds because earmarking reduces the ability of the Legislature to establish spending priorities.

SIGNIFICANT ISSUES

Each year by September 1, OSA audits each land grant-merced and provides a list of those that are compliant to the NM Land Grant Council. The NM Land Grant Council determines the annual grant amount and transmits to DFA a list of qualified recipients and the threshold distribution amount. DFA is tasked with administering distributions from the land grant-merced assistance fund.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

According to the Office of the State Auditor:

¹ 7-1-6.70 NMSA 1978 Distribution; land grant-merced assistance fund.

HB88 relates to HB21, the Land Grant-Merced and Acequia Infrastructure Act (2026 Session). HB21 establishes a project fund that would provide a dedicated funding stream for land grant-mercedes infrastructure projects.

HB21 and HB88 could function as complementary support mechanisms for land grant-mercedes: HB21 for infrastructure, HB88 for other operations.

HB 21 and SB 89 are duplicates.

OTHER SUBSTANTIVE ISSUES

According to the FY 2025 annual report of the NM Land Grant Council:²

Twenty-four (24) land grants-mercedes that are political subdivisions of the State received direct services and/or support from the Council in FY 2025 including: Abiquiú, Anton Chico, Arroyo Hondo de Arriba, Cañón de Carnué, Cebolleta, Chililí, Cristóbal de la Serna, Cubero, Don Fernando de Taos, Juan Bautista Baldés, Los Vigiles, Lower Gallinas, Manzano, San Antonio de la Huertas, San Joaquín del Río de Chama, San Miguel del Bado, Santa Bárbara, Santa Cruz de La Cañada, Santo Domingo de Cundiyó, Santo Tomás Apóstol del Río de Las Trampas, Tajique, Tierra Amarilla, Tomé, and Torreón. In addition, the four land grants that are not currently recognized as units of government received limited support from the Council concerning the steps necessary to become a political sub-division of the State, these included the Las Vegas Land Grant, the Santa Cruz de La Cañada Land Grant, the Jacona Land Grant and the Mesilla Bend Colony Land Grant.

Note: only 17 of the 24 received grants from the fund in FY 2025, according to DFA.

Attachments

1. DFA Analysis of Land Grant-Merced Assistance Fund Impact

NF/rl/dw/ct

² [NM Land Grant Council, Annual Report FY 2025](#)

Attachment 1: Land Grant-Merced Assistance Fund Summary

| Land Grant-Merced Assistance Fund Summary | | | | | | | | | | | |
|---|---------------------|----------------|----------------|----------------|----------------|--|----------------------|----------------|----------------|----------------|----------------|
| | Current Legislation | | | | | | Proposed Legislation | | | | |
| | FY24 | FY25 | FY26 | Total | Average | | FY24 | FY25 | FY26 | Total | Average |
| Amount available for Distribution | \$2,016,605.00 | \$2,093,065.00 | \$2,052,493.74 | \$6,162,163.74 | \$2,054,054.58 | | \$2,000,000.00 | \$2,127,718.00 | \$2,710,811.74 | \$6,838,529.74 | \$2,279,509.91 |
| # received 75% | 4 | 2 | 2 | 8.00 | 2.67 | | 0 | 0 | 0 | 0 | 0.00 |
| 75% Distribution Amount | \$73,470.00 | \$92,341.00 | \$173,450.40 | \$339,261.40 | \$113,087.13 | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Total 75% Distributed | \$293,880.00 | \$184,682.00 | \$346,900.80 | \$2,714,091.20 | \$904,697.07 | | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| | | | | | | | | | | | |
| # received 100% | 13 | 15 | 16 | 44 | 15 | | 17 | 15 | 18 | 50 | 17 |
| 100% Distribution Amount | \$97,960.00 | \$123,121.00 | \$128,280.86 | \$349,361.86 | \$116,453.95 | | \$111,111.00 | \$97,960.00 | \$123,121.00 | \$332,192.00 | \$110,730.67 |
| Amount distributed at 100% | \$1,273,480.00 | \$1,846,815.00 | \$2,052,493.74 | \$5,172,788.74 | \$1,724,262.91 | | \$1,888,887.00 | \$1,469,400.00 | \$2,216,178.00 | \$5,574,465.00 | \$1,858,155.00 |
| | | | | | | | | | | | |
| Total Awards | 18 | 17 | 18 | 53 | 17.67 | | 18 | 17 | 18 | 53 | 17.67 |
| Total Distribution | \$1,567,360.00 | \$2,031,497.00 | \$2,399,394.54 | \$5,998,251.54 | \$1,999,417.18 | | \$1,888,887.00 | \$1,469,400.00 | \$2,216,178.00 | \$5,574,465.00 | \$1,858,155.00 |
| | | | | | | | | | | | |
| Amount Reverted | \$449,245.00 | \$61,568.00 | -\$346,900.80 | \$163,912.20 | \$54,637.40 | | \$111,113.00 | \$658,318.00 | \$494,633.74 | \$1,264,064.74 | \$421,354.91 |
| | | | | | | | | | | | |

Source: DFA