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HOUSE BILL

**57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026**

INTRODUCED BY

DISCUSSION DRAFT

AN ACT

RELATING TO INFRASTRUCTURE; ENACTING THE LAND GRANT-MERCED AND  
ACEQUIA INFRASTRUCTURE ACT; CREATING THE LAND GRANT-MERCED AND  
ACEQUIA INFRASTRUCTURE TRUST FUND; CREATING THE LAND GRANT-  
MERCED INFRASTRUCTURE PROJECT FUND AND THE ACEQUIA  
INFRASTRUCTURE PROJECT FUND; PROVIDING FOR A DELAYED REPEAL FOR  
CERTAIN PROVISIONS OF THIS ACT; MAKING APPROPRIATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**SECTION 1.** [NEW MATERIAL] SHORT TITLE.--Sections 1  
through 8 of this act may be cited as the "Land Grant-Merced  
and Acequia Infrastructure Act".

**SECTION 2.** [NEW MATERIAL] DEFINITIONS.--As used in the  
Land Grant-Merced and Acequia Infrastructure Act:

A. "acequia" means an acequia or community ditch  
organized as a political subdivision pursuant to Chapter 73,

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1 Article 2 or 3 NMSA 1978;

2 B. "commission" means the interstate stream  
3 commission;

4 C. "council" means the land grant council;

5 D. "department" means the department of finance and  
6 administration;

7 E. "infrastructure assistance" means the provision  
8 of grants to land grants-mercedes on terms and conditions  
9 approved by the council or to acequias on terms and conditions  
10 approved by the commission;

11 F. "land grant-merced" means a land grant that is  
12 designated as a political subdivision pursuant to Section  
13 49-1-2 NMSA 1978;

14 G. "qualified project" means an infrastructure  
15 assistance project selected for infrastructure assistance  
16 pursuant to the Land Grant-Merced and Acequia Infrastructure  
17 Act; and

18 H. "trust fund" means the land grant-merced and  
19 acequia infrastructure trust fund.

20 SECTION 3. [NEW MATERIAL] COUNCIL--POWERS--DUTIES.--The  
21 council shall:

22 A. in consultation with the department, promulgate  
23 rules governing terms, conditions and priorities for providing  
24 infrastructure assistance to land grants-mercedes, including  
25 developing application and evaluation procedures and forms and

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1 qualifications for applicants and for qualified projects;  
2 B. provide infrastructure assistance to land  
3 grants-mercedes for qualified projects on terms and conditions  
4 established by the council; and

5 C. authorize funding for qualified projects,  
6 including:

7 (1) planning, designing, constructing,  
8 improving, expanding or equipping water and wastewater  
9 facilities, major water systems, electrical power lines,  
10 communications infrastructure, roads, health infrastructure,  
11 emergency response facilities and infrastructure needed to  
12 encourage economic development;

13 (2) developing engineering feasibility reports  
14 for infrastructure projects;

15 (3) providing special engineering services;

16 (4) completing environmental assessments or  
17 archaeological clearances and other surveys for infrastructure  
18 projects;

19 (5) acquiring land, easements or rights of  
20 way; and

21 (6) purchasing durable equipment.

22 SECTION 4. [NEW MATERIAL] COMMISSION--POWERS--DUTIES.--

23 The commission shall:

24 A. in consultation with the department, promulgate  
25 rules governing terms, conditions and priorities for providing

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1 infrastructure assistance to acequias, including application  
2 and evaluation procedures and forms and qualifications for  
3 applicants and for qualified projects;

4 B. provide infrastructure assistance to acequias  
5 for qualified projects on terms and conditions established by  
6 the commission; and

7 C. authorize funding for qualified projects,  
8 including for planning, engineering design or construction of  
9 irrigation works and infrastructure projects, including dams,  
10 reservoirs, diversions, ditches, flumes or other appurtenances  
11 for the purposes of restoration, repair, improvement of  
12 irrigation efficiency and protection from floods.

13 SECTION 5. [NEW MATERIAL] LAND GRANT-MERCED AND ACEQUIA  
14 INFRASTRUCTURE TRUST FUND--CREATED--INVESTMENT--DISTRIBUTION.--

15 A. The "land grant-merced and acequia  
16 infrastructure trust fund" is created as a nonreverting fund in  
17 the state treasury. The trust fund consists of distributions,  
18 appropriations, gifts, grants and donations. Income from  
19 investment of the trust fund shall be credited to the trust  
20 fund. Money in the trust fund shall be expended only as  
21 provided in this section.

22 B. The state investment officer, subject to the  
23 approval of the state investment council, shall invest money in  
24 the trust fund:

25 (1) in accordance with the prudent investor

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1 rule set forth in the Uniform Prudent Investor Act; and

2 (2) in consultation with the commission and  
3 the council.

4 C. Income from investment of the trust fund shall  
5 be credited to the trust fund. Money in the trust fund shall  
6 not be expended for any purpose, but annual distributions from  
7 the trust fund shall be made to the land grant-merced  
8 infrastructure project fund and the acequia infrastructure  
9 project fund pursuant to this section.

10 D. Except as provided in Subsection E of this  
11 section, if, as of the end of a fiscal year, the balance in the  
12 trust fund is over five million dollars (\$5,000,000), three  
13 percent of the balance in the trust fund shall be divided into  
14 equal distributions to the land grant-merced infrastructure  
15 project fund and the acequia infrastructure project fund.

16 E. If, on July 1 of any year, four and seven-tenths  
17 percent of the average of the year-end market value of the  
18 balance in the trust fund for the immediately preceding five  
19 calendar years exceeds five million dollars (\$5,000,000), four  
20 and seven-tenths percent of the balance in the trust fund shall  
21 be divided into equal distributions to the land grant-merced  
22 infrastructure project fund and the acequia infrastructure  
23 project fund.

24 SECTION 6. [NEW MATERIAL] LAND GRANT-MERCED  
25 INFRASTRUCTURE PROJECT FUND--CREATED--PURPOSE--

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1 APPROPRIATIONS.--

2           A. The "land grant-merced infrastructure project  
3 fund" is created in the state treasury and shall be  
4 administered by the department in consultation with the  
5 council.

6           B. The land grant-merced infrastructure project  
7 fund consists of:

- 8                   (1) distributions from the trust fund;
- 9                   (2) payments of principal and interest on  
10 loans for qualified projects; and
- 11                   (3) other money appropriated by the  
12 legislature or distributed or otherwise allocated to the land  
13 grant-merced infrastructure project fund for the purpose of  
14 supporting qualified projects.

15           C. Except for severance tax bond proceeds required  
16 to revert to the severance tax bonding fund, balances in the  
17 land grant-merced infrastructure project fund at the end of a  
18 fiscal year shall revert to the trust fund.

19           D. The department, in consultation with the  
20 council, may establish procedures and promulgate rules as  
21 required to:

- 22                   (1) administer the land grant-merced  
23 infrastructure project fund;
- 24                   (2) originate grants or loans for qualified  
25 projects recommended by the council; and

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1                   (3) govern the process through which qualified  
2 entities may apply for financial assistance from the land  
3 grant-merced infrastructure project fund.

4                   E. Disbursements from the land grant-merced  
5 infrastructure project fund shall be made by warrant of the  
6 secretary of finance and administration pursuant to vouchers  
7 signed by the chair of the council.

8                   F. A land grant-merced shall apply to the  
9 department for funding from the land grant-merced  
10 infrastructure project fund for an infrastructure project prior  
11 to submitting a request for a legislative capital outlay  
12 appropriation for that project. When requesting legislative  
13 appropriations for a qualified project, a land grant-merced  
14 shall provide evidence of a funding need, including proof that  
15 an application for funding for the qualified project was  
16 submitted to the department.

17                   SECTION 7. [NEW MATERIAL] ACEQUIA INFRASTRUCTURE PROJECT  
18 FUND--CREATED--PURPOSE--APPROPRIATIONS.--

19                   A. The "acequia infrastructure project fund" is  
20 created in the state treasury and shall be administered by the  
21 department in consultation with the commission.

22                   B. The acequia infrastructure project fund consists  
23 of:

- 24                               (1) distributions from the trust fund;
- 25                               (2) payments of principal and interest on

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1 loans for qualified projects; and

2 (3) other money appropriated by the  
3 legislature or distributed or otherwise allocated to the  
4 acequia infrastructure project fund for the purpose of  
5 supporting qualified projects.

6 C. Except for severance tax bond proceeds required  
7 to revert to the severance tax bonding fund, balances in the  
8 acequia infrastructure project fund at the end of a fiscal year  
9 shall revert to the trust fund.

10 D. The department, in consultation with the  
11 commission, may establish procedures and promulgate rules as  
12 required to:

13 (1) administer the acequia infrastructure  
14 project fund;

15 (2) originate grants or loans for qualified  
16 projects recommended by the commission; and

17 (3) govern the process through which qualified  
18 entities may apply for financial assistance from the acequia  
19 infrastructure project fund.

20 E. Disbursements from the acequia infrastructure  
21 project fund shall be made by warrant of the secretary of  
22 finance and administration pursuant to vouchers signed by the  
23 chair of the commission.

24 F. An acequia shall apply to the commission for  
25 funding from the acequia infrastructure project fund for an

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1 infrastructure project prior to submitting a request for a  
2 legislative capital outlay appropriation for that project.  
3 When requesting legislative appropriations for a qualified  
4 project, an acequia shall provide evidence of a funding need,  
5 including proof that an application for funding for the  
6 qualified project was submitted to the commission.

7 SECTION 8. [NEW MATERIAL] REPORTS.--

8 A. The council shall provide a report to the  
9 appropriate legislative interim committee tasked with examining  
10 land grant-merced issues no later than November 1 of each year  
11 regarding the total expenditures from the land grant-merced  
12 infrastructure project fund for the previous fiscal year, the  
13 purposes for which expenditures were made, an analysis of the  
14 progress of the projects funded and recommendations for  
15 improvement of the Land Grant-Merced and Acequia Infrastructure  
16 Act.

17 B. The commission shall provide a report to the  
18 appropriate legislative interim committee tasked with examining  
19 acequia issues no later than October 1 of each year regarding  
20 the total expenditures from the acequia infrastructure project  
21 fund for the previous fiscal year, the purposes for which  
22 expenditures were made, an analysis of the progress of the  
23 projects funded and proposals for improvement of the Land  
24 Grant-Merced and Acequia Infrastructure Act.

25 SECTION 9. Section 7-27-10.1 NMSA 1978 (being Laws 2003,

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1 Chapter 134, Section 1, as amended) is amended to read:

2 "7-27-10.1. TRANSFER TO SEVERANCE TAX PERMANENT FUND  
3 BEFORE DETERMINING BONDING CAPACITY--AUTHORIZATION FOR  
4 SEVERANCE TAX BONDS--PRIORITY FOR WATER [~~PROJECTS~~] AND TRIBAL  
5 INFRASTRUCTURE AND LAND GRANT-MERCED AND ACEQUIA INFRASTRUCTURE  
6 PROJECTS.--

7 A. On December 31 of each year from 2019 through  
8 2028, the division shall transfer twenty-three million six  
9 hundred ninety thousand dollars (\$23,690,000) from the  
10 severance tax bonding fund to the severance tax permanent fund,  
11 unless the state board of finance determines that a lesser  
12 transfer amount is necessary pursuant to Section 7-27-8 NMSA  
13 1978 to avoid a potential shortfall in debt service  
14 obligations.

15 B. By January 15 of each year, the division shall  
16 estimate the amount of bonding capacity available for severance  
17 tax bonds to be authorized by the legislature based on the  
18 lesser of the following estimates:

19 (1) an estimate that provides for equal annual  
20 issuances over the expected term of bonds with terms greater  
21 than one year anticipated to be issued by the state board of  
22 finance in the fiscal year in compliance with the requirements  
23 of Section 7-27-14 NMSA 1978; and

24 (2) an estimate that provides that issuances  
25 for each year of that term shall be projected to result in

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1 stable levels of state tax supported debt relative to the  
2 median state debt ratios published by the national municipal  
3 bond rating agencies.

4 C. The division shall allocate nine percent of the  
5 estimated bonding capacity each year for water projects, and  
6 the legislature authorizes the state board of finance to issue  
7 severance tax bonds in the annually allocated amount for use by  
8 the water trust board to fund water projects statewide. The  
9 water trust board shall certify to the state board of finance  
10 the need for issuance of bonds for water projects. The state  
11 board of finance may issue and sell the bonds in the same  
12 manner as other severance tax bonds in an amount not to exceed  
13 the authorized amount provided for in this subsection. If  
14 necessary, the state board of finance shall take the  
15 appropriate steps to comply with the federal Internal Revenue  
16 Code of 1986, as amended. Proceeds from the sale of the bonds  
17 are appropriated to the water project fund in the New Mexico  
18 finance authority for the purposes certified by the water trust  
19 board to the state board of finance.

20 D. The division shall allocate four and one-half  
21 percent of the estimated bonding capacity for tribal  
22 infrastructure projects.

23 E. The legislature authorizes the state board of  
24 finance to issue severance tax bonds in the amount provided for  
25 in this section for use by the tribal infrastructure board to

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1 fund tribal infrastructure projects. The tribal infrastructure  
2 board shall certify to the state board of finance the need for  
3 issuance of bonds for tribal infrastructure projects. The  
4 state board of finance may issue and sell the bonds in the same  
5 manner as other severance tax bonds in an amount not to exceed  
6 the authorized amount provided for in this section. If  
7 necessary, the state board of finance shall take the  
8 appropriate steps to comply with the federal Internal Revenue  
9 Code of 1986, as amended. Proceeds from the sale of the bonds  
10 are appropriated to the tribal infrastructure project fund for  
11 the purposes certified by the tribal infrastructure board to  
12 the state board of finance.

13 F. The legislature authorizes the state board of  
14 finance to issue severance tax bonds in the amount provided for  
15 in this section for use by the land grant council to fund land  
16 grant-merced infrastructure projects. The land grant council  
17 shall certify to the state board of finance the need for  
18 issuance of bonds for land grant-merced infrastructure  
19 projects. The state board of finance may issue and sell the  
20 bonds in the same manner as other severance tax bonds in an  
21 amount not to exceed the authorized amount provided for in this  
22 section. If necessary, the state board of finance shall take  
23 the appropriate steps to comply with the federal Internal  
24 Revenue Code of 1986, as amended. Proceeds from the sale of  
25 the bonds are appropriated to the land grant-merced

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1 infrastructure project fund for the purposes certified by the  
2 land grant council for land grant-merced infrastructure  
3 projects to the state board of finance.

4 G. The legislature authorizes the state board of  
5 finance to issue severance tax bonds in the amount provided for  
6 in this section for use by the interstate stream commission to  
7 fund acequia infrastructure projects. The interstate stream  
8 commission shall certify to the state board of finance the need  
9 for issuance of bonds for acequia infrastructure projects. The  
10 state board of finance may issue and sell the bonds in the same  
11 manner as other severance tax bonds in an amount not to exceed  
12 the authorized amount provided for in this section. If  
13 necessary, the state board of finance shall take the  
14 appropriate steps to comply with the federal Internal Revenue  
15 Code of 1986, as amended. Proceeds from the sale of the bonds  
16 are appropriated to the acequia infrastructure project fund for  
17 the purposes certified by the interstate stream commission for  
18 acequia infrastructure projects to the state board of finance.

19 ~~[F-]~~ H. Money from the severance tax bonds provided  
20 for in this section shall not be used to pay indirect project  
21 costs. Any unexpended balance from proceeds of severance tax  
22 bonds issued for a water, ~~[project or a]~~ tribal infrastructure,  
23 acequia infrastructure or land grant-merced infrastructure  
24 project shall revert to the severance tax bonding fund within  
25 six months of completion of the project. The New Mexico

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1 finance authority shall monitor and ensure proper reversions of  
2 the bond proceeds appropriated for water projects, and the  
3 department of finance and administration shall monitor and  
4 ensure proper reversions of the bond proceeds appropriated for  
5 acequia infrastructure, tribal infrastructure and land grant-  
6 merced infrastructure projects.

7 [~~6.~~] I. As used in this section:

8 (1) "acequia infrastructure project" means a  
9 qualified project approved by the interstate stream commission  
10 pursuant to the Land Grant-Merced and Acequia Infrastructure  
11 Act;

12 [~~1~~] (2) "division" means the board of  
13 finance division of the department of finance and  
14 administration;

15 (3) "land grant-merced infrastructure project"  
16 means a qualified project approved by the land grant council  
17 pursuant to the Land Grant-Merced and Acequia Infrastructure  
18 Act;

19 [~~2~~] (4) "tribal infrastructure project"  
20 means a qualified project under the Tribal Infrastructure Act;  
21 and

22 [~~3~~] (5) "water project" means a capital  
23 outlay project for:

24 (a) the storage, conveyance or delivery  
25 of water to end users;

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1 (b) the implementation of federal  
2 Endangered Species Act of 1973 collaborative programs;  
3 (c) the restoration and management of  
4 watersheds;  
5 (d) flood prevention; or  
6 (e) conservation, recycling, treatment  
7 or reuse of water."

8 SECTION 10. A new section of the Severance Tax Bonding  
9 Act, Section 7-27-10.3 NMSA 1978, is enacted to read:

10 "7-27-10.3. [NEW MATERIAL] ALLOCATION OF BONDING CAPACITY  
11 FOR LAND GRANT-MERCED AND ACEQUIA INFRASTRUCTURE PROJECTS.--

12 A. The division shall allocate one and one-tenth  
13 percent of the estimated bonding capacity for land grant-merced  
14 infrastructure projects.

15 B. The division shall allocate one and one-tenth  
16 percent of the estimated bonding capacity for acequia  
17 infrastructure projects.

18 C. As used in this section, "division" means the  
19 board of finance division of the department of finance and  
20 administration."

21 SECTION 11. DELAYED REPEAL.--Section 10 of this act is  
22 repealed effective July 1, 2032.

23 SECTION 12. EFFECTIVE DATE.--The effective date of the  
24 provisions of this act is July 1, 2026.