

## AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

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### **SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared:** 1/20/2026 **Check all that apply:**  
**Bill Number:** HB21 **Original**  **Correction**   
**Amendment**  **Substitute**

**Sponsor:** Garcia  
**Short** Land Grant-Merced Acequia Infrastructure Act

**Agency Name**  
**and Code** 337 – State Investment Office  
**Number:** \_\_\_\_\_  
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### **SECTION II: FISCAL IMPACT**

#### **REVENUE (dollars in thousands)**

Estimated Revenue			Recurring Or Nonrecurring	Fund Affected
FY26	FY27	FY28		
--	(44,700.0)	(44,100.0)	Recurring*	<b>Severance Tax Bonding Capacity</b>
--	22,350.00	22,050.00	Recurring*	<b>Land Grant-Merced Infrastructure Project Fund</b> <i>(from severance tax bonding fund)</i>
--	22,350.00	22,050.00	Recurring*	<b>Acequia Infrastructure Project Fund</b> <i>(from severance tax bonding fund)</i>

(Parenthesis ( ) indicate revenue decreases); estimates are rounded

\* Bill contains sunset provision for STB earmark (sunsets July 1, 2032)

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

##### Synopsis:

House Bill 21 creates two new funds for land grant-merced and acequia infrastructure projects: a Land Grant-Merced Infrastructure Project Fund and an Acequia Infrastructure Project Fund (collectively the “Project Funds”). The Department of Finance and Administration would administer both funds in consultation with the Land Grant Council and the Interstate Stream Commission, respectively. These agencies may establish rules and procedures for administering the fund and originating grants for qualified projects. The Project Funds would each receive an earmarked 1.1 percent of annual STB capacity for qualified projects. This bill has an effective date of July 1, 2026

The bill also creates a new Land Grant-Merced and Acequia Infrastructure Trust Fund (the “Trust Fund”), which would provide annual distributions in equal parts to the Project Funds. However, the bill does not make an appropriation to the Trust Fund or provide a funding source.

## FISCAL IMPLICATIONS

The bill creates a Trust Fund with potential to provide a recurring funding source to the Project Funds; however, without appropriation to the Trust Fund, this provision would have no fiscal impact. Should the Trust Fund receive a future appropriation, the fund would distribute 3 percent of the fund balance to the Project Funds, or 4.7 percent of the fund balance if that amount exceeds \$5 million. The Trust Fund would make no distribution if the market value is less than \$5 million.

As currently constructed, the primary source of funding for the Project Funds would be a 1.1 percent earmark for each fund of annual severance tax bonding (STB) capacity. Since the bill has an effective date of July 1, 2026, the earmark affects FY27 STB capacity. The bill sunsets the earmark for these two project funds at the end of FY31.

Land Grant-Merced Infrastructure Project Fund (\$millions)						Acequia Infrastructure Project Fund (\$millions)					
Fiscal Year	Beginning Balance	Contrib. from Trust Fund	Contrib. from 1.1% STBs	Approp. For Projects	Ending balance	Fiscal Year	Beginning Balance	Contrib. from Trust Fund	Contrib. from 1.1% STBs	Approp. For Projects	Ending balance
FY26	n/a	n/a	n/a	n/a	n/a	FY26	n/a	n/a	n/a	n/a	n/a
FY27	\$ -	\$ -	\$ 22.4	\$ (22.4)	\$ -	FY27	\$ -	\$ -	\$ 22.4	\$ (22.4)	\$ -
FY28	\$ -	\$ -	\$ 22.1	\$ (22.1)	\$ -	FY28	\$ -	\$ -	\$ 22.1	\$ (22.1)	\$ -
FY29	\$ -	\$ -	\$ 22.9	\$ (22.9)	\$ -	FY29	\$ -	\$ -	\$ 22.9	\$ (22.9)	\$ -
FY30	\$ -	\$ -	\$ 22.7	\$ (22.7)	\$ -	FY30	\$ -	\$ -	\$ 22.7	\$ (22.7)	\$ -
FY31	\$ -	\$ -	\$ 22.1	\$ (22.1)	\$ -	FY31	\$ -	\$ -	\$ 22.1	\$ (22.1)	\$ -
FY32	\$ -	\$ -	\$ -	\$ -	\$ -	FY32	\$ -	\$ -	\$ -	\$ -	\$ -
FY33	\$ -	\$ -	\$ -	\$ -	\$ -	FY33	\$ -	\$ -	\$ -	\$ -	\$ -

The table above provides a simplified example of the available funding for each Project Fund, assuming the entire available amount would be spent that year; however, in practice, any unspent funds would be available for use in subsequent years.

Project Fund balances at the end of a fiscal year would revert to the Trust Fund, except for STB proceeds. Six months after completion of project that received STB funding, any unspent STB proceeds for that project would revert to the severance tax bonding fund.

Under this assumption, approximately \$44 million in STB capacity would be earmarked for land grant-merced and acequia infrastructure projects (\$22 million each) from FY27 to FY31.

## PERFORMANCE IMPLICATIONS

The bill’s structure for Trust Fund distributions is to send a percentage of the current fund value as of a certain date of any given year to the Project Funds, which is non-standard and would create more volatile distribution levels year-over-year, especially during times of market volatility. Typically, endowments and trusts base distributions on three- or five-year averages, as longer-term averages create smoother distributions, aiding the budgeting and planning process.

The State Investment Officer, with the approval of the State Investment Council would manage the Fund in accordance with the Uniform Prudent Investor Act and would seek to ethically optimize risk-adjusted returns and grow the fund over time. The Council does not currently have a “boilerplate” asset allocation for any fund, including the proposed Fund, but should the Trust

Fund ever receive an initial endowment, it is a fair assumption that the new fund could/would be constructed in a manner similar to other permanent/trust funds managed by the SIC.

## TECHNICAL ISSUES

Section 5, Subsection D of the bill calls for a distribution from the Trust Fund to the Project Funds equal to 3% of the fund balance as of the end of a fiscal year. Since the bill does not specify when this distribution should occur, presumably the SIC would make the distribution as soon as practicable after the end of the fiscal year. However, to reduce potential volatility of distributions, and to align distributions with the common structure of other trust funds, SIC staff recommend amending the bill to base the distribution on an average calendar year-end fund balance. Below is sample language for such an amendment:

D. Except as provided in Subsection E of this section, if, as of the end of a fiscal year, the balance in the trust fund is over five million dollars (\$5,000,000), three percent of the average of the year-end market value of the balance in the trust fund for the immediately preceding five calendar years shall be divided into equal distributions to the land grant-merced infrastructure project fund and the acequia infrastructure project fund.

Section 5, Subsection E of the bill calls for a test to determine whether 4.7% of the average fund value over the last five calendar years is greater than \$5 million but then calls for a distribution of 4.7% of the balance of the trust fund if that test condition is met. This creates a misalignment, wherein the test is based on a five-year average, but the distribution itself is not. We recommend amending the bill to align the distribution with the test to ensure consistency and that both calculations are measured on the same basis. Below is a sample language for such an amendment:

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