

LFC Requester:

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION
WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO
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: 1.26.2026 *Check all that apply:*
Bill Number: H121 Original Correction
 Amendment Substitute

Sponsor: Rep. Silva STATE INVESTMENT OFFICER AND FUND CHANGES
Agency Name and Code Number: DFA-341
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)0

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

0

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	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

House Bill 121(HB121) seeks to improve the efficiency, transparency, and flexibility of public finance management in New Mexico. By standardizing investment practices and revising fund-use policies, the bill aims to ensure better oversight and more effective use of state resources while addressing fiscal emergencies. The bill introduces changes to definitions, fund management, investment rules, reversion timelines, and fund usage policies. It also repeals outdated sections of the New Mexico Statutes Annotated (NMSA) 1978.

Key Changes:

- Standardization of Investment Rules: All funds managed by the State Investment Officer will adhere to the Uniform Prudent Investor Act.
- Fund Management Adjustments: HB121 moves several funds to the state treasury, and the State Investment Officer is removed as the investment manager for certain funds.
- Reversion Timelines: HB121 reduces the reversion period for unreserved and undesignated funds.
- Expanded Fund Usage: HB121 allows certain funds to be used for broader purposes, including functional phases of capital projects and emergency appropriations to avoid general fund deficits.
- Repeal of Outdated Section: Repeals § 6-8-6, NMSA 1978.
- Effective Date: Takes effect on July 1, 2026.

FISCAL IMPLICATIONS

HB121 does not create new taxes, fees, or appropriations. DFA anticipates the potential fiscal impacts will be primarily indirect. Specifically, the likely fiscal impacts are as follows:

- HB121 mandates the application of the Uniform Prudent Investor Act to all funds managed by the State Investment Officer.

- This could lead to better investment strategies and potentially higher returns for state-managed funds, thereby benefiting programs funded by these investments.
- The reduction in reversion timelines for unreserved and undesignated funds of state agencies (from three months to two months) may accelerate the availability of funds for redistribution, potentially improving cash flow for the general fund and other designated funds.
- Modifications to distribution formulas for several trust and endowment funds that could affect the annual amounts transferred to program funds, depending on market performance.
- Moving the Capital Development Program Fund to the state treasury and expanding its use to include certain phases of capital projects may increase flexibility in funding infrastructure projects.
 - However, lowering the cap on planning and design costs and shortening the reversion timeline may accelerate the depletion of funds, potentially requiring additional appropriations.
- The repeal of § 6-8-6, NMSA 1978, may streamline fund management and eliminate inefficiencies, potentially reducing administrative costs.
- Major assumptions:
 - Existing fund balances and investment performance continue to be influenced by market conditions.
 - DFA and the State Investment Office can absorb implementation costs from existing budgets.
 - No immediate change in total statewide revenue or expenditures occurs solely from these technical adjustments.

SIGNIFICANT ISSUES

- Changes in reserve calculation: Eliminating the tobacco settlement permanent fund and the state-support reserve fund from specific reserve calculations could impact future transfers to education, behavioral health, and other trust funds.

PERFORMANCE IMPLICATIONS

- DFA anticipates HB121's changes to the Capital Development Program Fund will likely improve the performance and management of the Capital Development Program Fund:
 - Relocation to State Treasury: HB121 moves the Capital Development Program Fund from being a subaccount of the Severance Tax Bonding Fund to the State Treasury, making it a standalone nonreverting fund.
 - Expanded Usage: The fund can now be used to finance capital projects or functional phases of capital projects.
 - A "functional phase" is defined as a phase of a capital project that can be put into service before all phases are completed.
 - The fund can finance capital projects with a total cost of less than \$25 million.
 - For capital projects exceeding \$2 million, the fund can only finance planning and design phases.
 - Reversion of Unused Funds: Any unexpended or unencumbered balance of appropriation for a capital project will revert to the Severance Tax Permanent Fund at the end of the project, rather than after two years following the date of appropriation.
- HB121, if passed, will improve statewide financial management by:
 - Providing more consistent investment standards.
 - Clarifying distribution and reversion rules.
 - Adjusting agency year-end processes to meet the earlier reversion deadline.

ADMINISTRATIVE IMPLICATIONS

For DFA:

- Update SHARE configuration and internal procedures to reflect the new

August 31 reversion date.

- Adjust fund setup and reporting for the capital development program fund, now located in the state treasury and administered by DFA.
- Coordinate with the State Investment Office and the Board of Finance on new consultation and reporting language for affected funds.
- Update guidance to agencies regarding capital project eligibility and reversion requirements.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A.

TECHNICAL ISSUES

N/A.

OTHER SUBSTANTIVE ISSUES

N/A.

ALTERNATIVES

N/A.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If the bill is not enacted:

- Investment standards will remain inconsistent across funds.
- Capital development program funding limitations will continue to restrict phased project funding.
- Reversion timelines and reserve calculations will remain as currently structured, which may reduce flexibility in managing statewide cash flow and capital planning.

AMENDMENTS

N/A.