

LFC Requester:

Torres

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****[AgencyAnalysis.nmlegis.gov](https://www.legis.nm.gov/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: 2/3/2026 *Check all that apply:*
Bill Number: HB176 Original Correction
 Amendment Substitute

Sponsor: Martinez, Dow, Henry **Agency Name and**
 Zero Interest Down **Code Number:** 337 – State Investment Council
Short Title: Payment Loan Fund **Person Writing Analysis:** Allen/Iglesias
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SECTION II: FISCAL IMPACT**REVENUE (dollars in thousands)**

Revenue Type	Estimated Revenue					R/ NR	Fund Affected
	FY26	FY27	FY28	FY29	FY30		
School Tax & Federal Royalties	--	(\$68,550)	(\$175,500)	(\$506,900)	(\$497,200)	R	Early Childhood Trust Fund
Interest Earnings	--	(\$44)	(\$5,880)	(\$22,170)	(\$58,160)	R	Early Childhood Trust Fund
Trust Fund Distributions	--	--	--	(\$1,150)	(\$5,300)	R	Early Childhood Education Program Fund
School Tax	--	(\$42,800)	(\$108,100)	--	--	R	Behavioral Health Trust Fund
Interest Earnings	--	--	(\$2,990)	(\$10,680)	(\$11,110)	R	Behavioral Health Trust Fund
Trust Fund Distributions	--	--	--	(\$710)	(\$3,260)	R	Behavioral Health Program Fund
Federal Royalties	--	(\$25,800)	(\$67,400)	--	--	R	Medicaid Trust Fund
Interest Earnings	--	(\$41)	(\$2,740)	(\$6,130)	(\$6,520)	R	Medicaid Trust Fund
Trust Fund Distributions	--	--	--	--	--	R	State-Supported Medicaid Fund
School Tax & Federal Royalties	--	\$137,100	\$351,000	\$506,000	\$497,200	R	Zero Interest Down Payment Loan Fund

(Parenthesis () indicate revenue decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 176 reallocates surplus revenue from the oil-and-gas emergency school tax and the Federal Mineral Leasing Act (federal royalty payments) into the newly created Zero Interest Down Payment Loan Fund. This fund will provide eligible first-time homebuyers with interest-free loans covering up to 20% of the home's purchase price on a 30-yr mortgage. The Mortgage Finance Authority (MFA) would administer the Zero Interest Down Payment Loan Fund and establish rules and procedures for administering the fund and application for zero interest loans. The effective date of this bill is July 1, 2026 (FY27).

FISCAL IMPLICATIONS

Oil & Gas Emergency School Tax. Under current law, the Excess Extraction Taxes Suspense Fund holds revenues from the oil-and-gas emergency school tax that exceed the amount the general fund received in FY24. In December following completion of the general fund audit, the Department of Finance and Administration (DFA) distributes the balance of this fund as follows:

- To the Tax Stabilization Reserve (TSR) or Early Childhood Education and Care Fund (ECECF or “early childhood trust fund”), the amount of school tax revenue that exceeds the five-year average of total school tax revenues. The TSR only receives a distribution if total general fund reserves are less than 25 percent of recurring appropriations. Otherwise, this amount goes to the ECECF.
 - For FY26-FY28, the Behavioral Health Trust Fund (BHTF) receives half of the amount that would otherwise go to the early childhood trust fund.
- To the STPF, the remaining balance in the suspense fund after the above distributions are made.

Section 1 of this bill revises this distribution such that the early childhood and behavioral health trust funds would no longer receive excess school tax revenues. Instead, those monies would flow into the newly created Zero Interest Down Payment Loan Fund starting in FY27. The fiscal impact tables on page one are based on the December 2025 consensus revenue estimate. As such, the new loan fund would receive \$85.5 million in school tax revenue in FY27, with the early childhood and behavioral health trust fund each receiving \$42.8 million less that year. The bill does not change the school tax distribution mechanisms for the TSR or STPF.

Federal Royalties. Federal Mineral Leasing (FML) revenue is royalty payments to the state for mineral production (mostly oil and gas) on federal lands within the state. Under current law, DFA distributes excess revenues to the ECECF or Medicaid Trust Fund (MTF) when the current fiscal year's FML collections exceed the five-year average of total federal royalty receipts. This excess revenue is split equally (50/50) between the ECECF and MTF for FY26–FY28. After FY28, all FML revenue above the five-year average flows exclusively to the ECECF.¹

Section 2 of this bill revises the distribution of above-average FML revenue, such that the early childhood and Medicaid trust funds would no longer any of these monies. Instead, beginning in

¹ Current law also provides for a portion of federal royalty revenues to flow into the STPF based on a separate calculation, which this bill does not change.

FY27, above-average FML revenue will flow into the Zero Interest Down Payment Loan Fund. Based on the December 2025 consensus revenue estimate, the new loan fund would receive \$137 million in FY27, with the early childhood and Medicaid trust funds each receiving about \$52 million less that year.

Combined School Tax & Federal Royalties. The new down payment loan fund would receive an estimated \$1.8 billion in school tax and federal royalty revenue received over the next 5 years to use in support of zero interest down payment loans for eligible first-time homebuyers. This amount represents a trade-off in the use of those funds that would otherwise flow into trust funds that would ultimately benefit early childhood, behavioral health, and Medicaid services in the state.

The total impact on the BHTF would be an estimated loss of about \$150 million in school tax revenue in FY27 and FY28, as well as lost compound interest earnings totaling about \$300 million over the next 25 years. The impact on trust fund distributions to the program fund are relatively small at first, but grow over time, with a cumulative total of about \$195 million in fewer distributions to the program fund over 25 years to support behavioral health services.

The total impact on the Medicaid Trust fund would be an estimated loss of about \$93 million in federal royalty revenue in FY27 and FY28, as well as lost compound interest earnings totaling about \$152 million over the next 25 years. Trust fund distributions, however, would be largely unaffected in short- to medium-term, since statute requires the trust fund to have a balance of at least \$500 million before it can begin making distributions. The loss of revenue and interest earnings on that revenue would increase the amount of time it would take for that fund to grow to a large enough size to begin making distributions to the State-Supported Medicaid Fund.

The total impact on the Early Childhood Trust Fund would be an estimated loss of about \$1.4 billion in school tax revenue over the next 5 years, combined with estimated cumulative lost compound interest earnings of about \$3.9 billion over the next 25 years. The impact on distributions to the early childhood program fund would similarly grow over time, with the program fund receiving about \$2.2 billion less over the next 25 years to support early childhood services.

The tables in the appendix illustrate the estimate fiscal impact of this bill. The analysis uses the official CREG December 2025 estimates for Federal Mineral Leasing (FML) and oil-and-gas emergency school tax revenues for FY26–FY30 and assumes CREG’s long-term forecasts for FY31 and beyond. Additionally, it incorporates the expected compound annual return for ECECF, BHTF, and MTF according to our most recent asset allocation study conducted in conjunction with general consultant RVK, which are 6.85%, 7.05%, and 6.36% respectively.

PERFORMANCE IMPLICATIONS

The SIC will continue to manage the ECEF, BHTF, and MTF in accordance with the Uniform Prudent Investor Act, as it does all funds, seeking to ethically optimize risk-adjusted returns and grow the fund over time.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB176 appears to conflict with several bills introduced during this legislative session. HB121 proposes eliminating the State Support Reserve Fund and redirecting additional dollars to the Tax Stabilization Reserve Fund (TSR) which may be required to meet the 25% reserve requirement.

Removing the state-support reserve fund from the calculation could increase the potential school tax distribution to the TSR. HB265 seeks to send excess oil-and-gas emergency school tax to the Taxpayer Dividend Income Tax Rebate Fund, which is counter to HB176's intent to direct excess revenue to the Zero Interest Down Payment Loan Fund. While HB176 does not directly conflict with SB8 and SB9, it does not align with their objectives, which aim to grow the BHTF and MTF.

APPENDIX – Fiscal Impact Tables

Table 1: Trust Fund Ending Balances

Calendar Year	Early Childhood Education and Care Trust Fund (ECECF)			Behavioral Health Trust Fund (BHTF)			Medicaid Trust Fund (MTF)		
	Ending Balance			Ending Balance			Ending Balance		
	Current	HB176	Diff	Current	HB176	Diff	Current	HB176	Diff
2025	\$ 10,992.70	\$ 10,992.70	\$ -	\$ 102.76	\$ 102.76	\$ -	\$ 43.07	\$ 43.07	\$ -
2026	\$ 11,392.18	\$ 11,392.18	\$ -	\$ 165.74	\$ 165.74	\$ -	\$ 157.51	\$ 157.51	\$ -
2027	\$ 11,717.72	\$ 11,648.73	\$ (68.99)	\$ 213.23	\$ 170.48	\$ (42.75)	\$ 193.74	\$ 167.53	\$ (26.21)
2028	\$ 12,128.17	\$ 11,878.96	\$ (249.22)	\$ 328.05	\$ 174.93	\$ (153.13)	\$ 274.54	\$ 178.19	\$ (96.35)
2029	\$ 12,883.15	\$ 12,110.17	\$ (772.98)	\$ 338.99	\$ 178.44	\$ (160.54)	\$ 292.00	\$ 189.52	\$ (102.48)
2030	\$ 13,655.41	\$ 12,345.25	\$ (1,310.16)	\$ 347.70	\$ 181.99	\$ (165.72)	\$ 310.58	\$ 201.58	\$ (109.00)
2031	\$ 14,241.22	\$ 12,584.81	\$ (1,656.41)	\$ 354.71	\$ 185.58	\$ (169.13)	\$ 330.34	\$ 214.41	\$ (115.93)
2032	\$ 14,621.94	\$ 12,829.01	\$ (1,792.92)	\$ 361.76	\$ 189.25	\$ (172.51)	\$ 351.36	\$ 228.05	\$ (123.31)
2033	\$ 14,914.29	\$ 13,077.95	\$ (1,836.34)	\$ 368.90	\$ 192.98	\$ (175.92)	\$ 373.71	\$ 242.56	\$ (131.16)
2034	\$ 15,205.67	\$ 13,331.71	\$ (1,873.96)	\$ 376.19	\$ 196.80	\$ (179.39)	\$ 397.49	\$ 257.99	\$ (139.50)
2035	\$ 15,511.83	\$ 13,590.40	\$ (1,921.43)	\$ 383.62	\$ 200.68	\$ (182.94)	\$ 422.78	\$ 274.40	\$ (148.38)
2036	\$ 15,857.38	\$ 13,854.11	\$ (2,003.27)	\$ 391.19	\$ 204.64	\$ (186.55)	\$ 449.68	\$ 291.86	\$ (157.82)
2037	\$ 16,174.90	\$ 14,122.94	\$ (2,051.96)	\$ 398.92	\$ 208.69	\$ (190.23)	\$ 478.29	\$ 310.43	\$ (167.86)
2038	\$ 16,504.28	\$ 14,396.98	\$ (2,107.31)	\$ 406.80	\$ 212.81	\$ (193.99)	\$ 508.72	\$ 330.18	\$ (178.54)
2039	\$ 16,837.51	\$ 14,676.34	\$ (2,161.17)	\$ 414.83	\$ 217.01	\$ (197.82)	\$ 516.38	\$ 351.19	\$ (165.19)
2040	\$ 17,200.37	\$ 14,961.12	\$ (2,239.25)	\$ 423.02	\$ 221.30	\$ (201.73)	\$ 523.38	\$ 373.53	\$ (149.85)
2041	\$ 17,601.81	\$ 15,251.43	\$ (2,350.38)	\$ 431.38	\$ 225.67	\$ (205.71)	\$ 530.05	\$ 397.30	\$ (132.75)
2042	\$ 18,068.08	\$ 15,547.36	\$ (2,520.72)	\$ 439.90	\$ 230.12	\$ (209.77)	\$ 536.77	\$ 422.58	\$ (114.20)
2043	\$ 18,601.27	\$ 15,849.05	\$ (2,752.23)	\$ 448.58	\$ 234.67	\$ (213.92)	\$ 543.58	\$ 449.46	\$ (94.12)
2044	\$ 19,229.10	\$ 16,156.58	\$ (3,072.51)	\$ 457.44	\$ 239.30	\$ (218.14)	\$ 550.47	\$ 478.06	\$ (72.41)
2045	\$ 19,939.50	\$ 16,470.09	\$ (3,469.42)	\$ 466.48	\$ 244.03	\$ (222.45)	\$ 557.45	\$ 508.47	\$ (48.98)
2046	\$ 20,750.31	\$ 16,789.67	\$ (3,960.63)	\$ 475.69	\$ 248.85	\$ (226.84)	\$ 564.51	\$ 516.13	\$ (48.39)
2047	\$ 21,670.64	\$ 17,115.46	\$ (4,555.18)	\$ 485.08	\$ 253.76	\$ (231.32)	\$ 571.67	\$ 523.12	\$ (48.54)
2048	\$ 22,714.31	\$ 17,447.57	\$ (5,266.74)	\$ 494.66	\$ 258.77	\$ (235.89)	\$ 578.91	\$ 529.79	\$ (49.12)
2049	\$ 23,803.19	\$ 17,786.12	\$ (6,017.06)	\$ 504.43	\$ 263.88	\$ (240.55)	\$ 586.25	\$ 536.51	\$ (49.74)
2050	\$ 24,858.80	\$ 18,131.25	\$ (6,727.55)	\$ 514.39	\$ 269.09	\$ (245.30)	\$ 593.68	\$ 543.32	\$ (50.37)

Table 2: Trust Fund Distributions

Calendar Year	Early Childhood Education and Care Trust Fund (ECECF)			Behavioral Health Trust Fund (BHTF)			Medicaid Trust Fund (MTF)		
	Distribution to ECE Program Fund			Distribution to Behav. Health Program			Distribution to State-Supp. Medicaid		
	Current	HB176	Diff	Current	HB176	Diff	Current	HB176	Diff
2026	\$ 500.00	\$ 500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2027	\$ 500.00	\$ 500.00	\$ -	\$ 5.14	\$ 5.14	\$ -	\$ -	\$ -	\$ -
2028	\$ 523.34	\$ 523.34	\$ -	\$ 6.71	\$ 6.71	\$ -	\$ -	\$ -	\$ -
2029	\$ 568.38	\$ 567.23	\$ (1.15)	\$ 8.03	\$ 7.32	\$ (0.71)	\$ -	\$ -	\$ -
2030	\$ 587.30	\$ 582.00	\$ (5.30)	\$ 11.78	\$ 8.52	\$ (3.26)	\$ -	\$ -	\$ -
2031	\$ 612.15	\$ 593.96	\$ (18.19)	\$ 14.67	\$ 8.73	\$ (5.94)	\$ -	\$ -	\$ -
2032	\$ 644.45	\$ 605.57	\$ (38.87)	\$ 16.91	\$ 8.92	\$ (7.99)	\$ -	\$ -	\$ -
2033	\$ 679.66	\$ 617.34	\$ (62.33)	\$ 17.36	\$ 9.10	\$ (8.26)	\$ -	\$ -	\$ -
2034	\$ 708.64	\$ 629.32	\$ (79.32)	\$ 17.74	\$ 9.28	\$ (8.46)	\$ -	\$ -	\$ -
2035	\$ 729.62	\$ 641.53	\$ (88.09)	\$ 18.09	\$ 9.46	\$ (8.63)	\$ -	\$ -	\$ -
2036	\$ 745.70	\$ 653.98	\$ (91.72)	\$ 18.45	\$ 9.65	\$ (8.80)	\$ -	\$ -	\$ -
2037	\$ 760.53	\$ 666.67	\$ (93.86)	\$ 18.81	\$ 9.84	\$ (8.97)	\$ -	\$ -	\$ -
2038	\$ 776.25	\$ 679.60	\$ (96.64)	\$ 19.18	\$ 10.04	\$ (9.15)	\$ -	\$ -	\$ -
2039	\$ 792.40	\$ 692.79	\$ (99.61)	\$ 19.56	\$ 10.23	\$ (9.33)	\$ -	\$ -	\$ -
2040	\$ 808.94	\$ 706.23	\$ (102.71)	\$ 19.95	\$ 10.44	\$ (9.51)	\$ 23.94	\$ -	\$ (23.94)
2041	\$ 825.28	\$ 719.94	\$ (105.34)	\$ 20.34	\$ 10.64	\$ (9.70)	\$ 25.06	\$ -	\$ (25.06)
2042	\$ 842.37	\$ 733.91	\$ (108.46)	\$ 20.74	\$ 10.85	\$ (9.89)	\$ 25.81	\$ -	\$ (25.81)
2043	\$ 860.66	\$ 748.15	\$ (112.51)	\$ 21.15	\$ 11.07	\$ (10.09)	\$ 26.16	\$ -	\$ (26.16)
2044	\$ 881.17	\$ 762.67	\$ (118.51)	\$ 21.57	\$ 11.28	\$ (10.29)	\$ 26.50	\$ -	\$ (26.50)
2045	\$ 904.52	\$ 777.46	\$ (127.06)	\$ 22.00	\$ 11.51	\$ (10.49)	\$ 26.84	\$ -	\$ (26.84)
2046	\$ 931.64	\$ 792.55	\$ (139.09)	\$ 22.43	\$ 11.73	\$ (10.70)	\$ 27.18	\$ -	\$ (27.18)
2047	\$ 962.83	\$ 807.93	\$ (154.90)	\$ 22.88	\$ 11.97	\$ (10.91)	\$ 27.52	\$ 23.93	\$ (3.59)
2048	\$ 998.65	\$ 823.61	\$ (175.04)	\$ 23.33	\$ 12.20	\$ (11.12)	\$ 27.87	\$ 25.04	\$ (2.83)
2049	\$ 1,039.34	\$ 839.59	\$ (199.75)	\$ 23.79	\$ 12.44	\$ (11.34)	\$ 28.23	\$ 25.80	\$ (2.43)
2050	\$ 1,085.59	\$ 855.88	\$ (229.71)	\$ 24.26	\$ 12.69	\$ (11.57)	\$ 28.58	\$ 26.15	\$ (2.43)
		25 year total	\$ (2,248.18)		25 year total	\$ (195.10)		25 year total	\$ (192.78)