

LFC Requester:

Simon

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: 02/05/2026 *Check all that apply:*
Bill Number: HB322 Original X Correction _____
 Amendment _____ Substitute _____

Sponsor : Brown **Agency Name and Code Number:** 337 – State Investment Council
Short Title: TRANSPORTATION TRUST FUND & PROGRAM FUND **Person Writing** McBurney/Iglesias
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SECTION II: FISCAL IMPACT**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
-	(\$400,000)	Nonrecurring	General Fund
-	\$400,000	Nonrecurring	Transportation Trust Fund

REVENUE (dollars in thousands)

Source	Estimated Revenue				R/NR	Fund Affected
	FY26	FY27	FY28	FY29		
Electricity TGR	--	(\$27,000)	(\$28,080)	(\$29,200)	R	General Fund
	--	\$27,000	\$28,080	\$29,200	R	Transportation Trust Fund
Motor Vehicle Excise Tax	--	(\$91,896)	(\$192,100)	(\$200,500)	R	General Fund
	--	\$40,086	\$91,020	\$95,000	R	State Road Fund
	--	(\$11,725)	\$4,043	\$4,220	R	Transportation Project Fund
	--	\$62,536	\$97,037	\$101,280	R	Transportation Trust Fund
Trust Fund Distributions	--	--	--	(\$26,400)	R	Transportation Trust Fund
	--	--	--	26,400	R	Transportation Program Fund

Capital Outlay Reversions	(Tens to hundreds of millions)	R	General Fund
	Tens to hundreds of millions	R	Transportation Trust Fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	This bill will require additional time from investment, accounting, and administrative staff (see administrative implications)				Recurring	SIC (LGPF/STPF)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

House Bill 322 creates a new Transportation Trust Fund (the “trust fund”), seeded with a \$400 million general fund appropriation to be invested by the State Investment Officer in accordance with the Uniform Prudent Investor Act.

Beginning July 1, 2029 (FY30) the trust fund will distribute 5 percent of the prior 3 calendar-year average market value to a new Transportation Program Fund (the “program fund”) that the bill also creates. Balances of the program fund may be appropriated to provide state matching funds for federal grants for transportation infrastructure projects.

The bill creates three primary funding sources for revenues into the trust fund:

- A distribution of 1 to 2 percent of the taxable gross receipts attributable to the sale of electricity;
- A distribution of 20 to 30 percent of the motor vehicle excise tax (or 15 percent in certain cases of gross receipts tax revenue shortfalls);
- Reversions of unexpended balances general fund capital outlay appropriations made in the 2021, 2022, 2023, and 2024 legislative sessions.

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

FISCAL IMPLICATIONS

The bill makes a \$400 million appropriation from the general fund to the new trust fund in FY27.

The bill also provides several sources of revenue into the trust fund that reduces General Fund revenue:

1. Distribution of Taxable Gross Receipts (TGR) Attributable to the Sale of Electricity. The bill directs the following percentages of TGR from electricity sales to the trust fund:

- FY27 to FY32: 1%
- FY33 to FY37: 1.25%
- FY38 to FY42: 1.5%
- FY43 to FY47: 1.75%
- FY48: 2%

For this analysis, SIC staff used estimates previously provided by the Legislative Finance Committee.

2. *Distribution of Motor Vehicle Excise Tax (MVX)*. Below are estimated changes to the MVX distribution based on the December 2025 consensus revenue estimate:

Current Law	FY26	FY27	FY28	FY29	FY30
General Fund	\$ 178,600	\$ 185,700	\$ 192,100	\$ 200,500	\$ 208,300
State Road Fund	\$ 65,738	\$ 68,352	\$ 70,707	\$ 73,799	\$ 76,670
Transportation Project Fund	\$ 56,386	\$ 58,627	\$ 60,648	\$ 63,300	\$ 65,762
Transportation Trust Fund	\$ -	\$ -	\$ -	\$ -	\$ -

Proposed	FY26	FY27	FY28	FY29	FY30
General Fund	\$ -	\$ 93,804	\$ -	\$ -	\$ -
State Road Fund	\$ -	\$ 109,438	\$ 161,728	\$ 168,799	\$ 175,366
Transportation Project Fund	\$ -	\$ 46,902	\$ 64,691	\$ 67,520	\$ 70,146
Transportation Trust Fund	\$ -	\$ 62,536	\$ 97,037	\$ 101,280	\$ 105,220

Difference	FY26	FY27	FY28	FY29	FY30
General Fund	\$ -	\$ (91,896)	\$ (192,100)	\$ (200,500)	\$ (208,300)
State Road Fund	\$ -	\$ 41,086	\$ 91,020	\$ 95,000	\$ 98,696
Transportation Project Fund	\$ -	\$ (11,725)	\$ 4,043	\$ 4,220	\$ 4,384
Transportation Trust Fund	\$ -	\$ 62,536	\$ 97,037	\$ 101,280	\$ 105,220

dollars in thousands

3. *Unspent Nonrecurring General Fund Capital Outlay Appropriations*. The bill directs unexpended balances from the capital outlay bills passed between 2021-2024 to revert to the trust fund in accordance with the timeframes outlined in those bills. SIC staff are unable to estimate how much revenue this provision could entail, but it is reasonable to assume it could result in tens to hundreds of millions of dollars to the trust fund.

The table below provides a simplified example of potential investment returns for the Trust Fund assuming revenues from the gross receipts tax distribution and MVX revenues. Because SIC staff are unable to account for potential revenue from general fund capital outlay reversion, the long-term growth of the fund may be understated.

Expected compound returns for funds the Council manages range from 5.2 percent (Tax Stabilization Reserve) to 7 percent (Land Grant Permanent Fund). Because the proposed Transportation Trust Fund makes consistent annual distributions based on a rolling average market value, staff assume a 7 percent annual return (similar to that of the Land Grant Permanent Fund) for the purpose of this analysis; however, actual return expectations would ultimately depend on the fund's asset allocation.

Under these assumptions, both the balance of the Trust Fund and the size of the distributions to the State Road Fund have potential to grow over time.

Transportation Trust Fund (\$millions)							
Calendar Year	Beginning Balance	Approp.	Electricity TGR	Motor Vehicle Excise	Distrib	Gains & Losses	Ending Balance
2026	\$0.0	\$400.0	\$13.5	\$31.3	\$0.0	\$14.0	\$458.8
2027	\$458.8	\$0.0	\$27.5	\$79.8	\$0.0	\$32.1	\$598.2
2028	\$598.2	\$0.0	\$28.6	\$99.2	\$0.0	\$41.9	\$767.9
2029	\$767.9	\$0.0	\$29.7	\$102.3	-\$26.4	\$52.8	\$926.3
2030	\$926.3	\$0.0	\$30.9	\$104.3	-\$30.4	\$63.8	\$1,094.9
2031	\$1,094.9	\$0.0	\$36.0	\$106.4	-\$38.2	\$75.3	\$1,274.4
2032	\$1,274.4	\$0.0	\$41.3	\$108.6	-\$46.5	\$87.6	\$1,465.4
2033	\$1,465.4	\$0.0	\$42.9	\$110.7	-\$54.9	\$100.7	\$1,664.7
2034	\$1,664.7	\$0.0	\$44.5	\$112.9	-\$63.9	\$114.3	\$1,872.5
2035	\$1,872.5	\$0.0	\$46.2	\$115.2	-\$73.4	\$128.5	\$2,089.0
2036	\$2,089.0	\$0.0	\$52.8	\$117.5	-\$83.4	\$143.3	\$2,319.2
2037	\$2,319.2	\$0.0	\$59.6	\$119.9	-\$93.8	\$159.1	\$2,564.0
2038	\$2,564.0	\$0.0	\$61.9	\$122.2	-\$104.7	\$175.8	\$2,819.2
2039	\$2,819.2	\$0.0	\$64.2	\$124.7	-\$116.2	\$193.3	\$3,085.1
2040	\$3,085.1	\$0.0	\$66.6	\$127.2	-\$128.4	\$211.5	\$3,362.0

Distribution to Program Fund (\$MM)		
Fiscal Year	Distrib Date	Amount
FY26	Jul-25	\$0.000
FY27	Jul-26	\$0.000
FY28	Jul-27	\$0.000
FY29	Jul-28	\$0.000
FY30	Jul-29	\$26.4
FY31	Jul-30	\$30.4
FY32	Jul-31	\$38.2
FY33	Jul-32	\$46.5
FY34	Jul-33	\$54.9
FY35	Jul-34	\$63.9
FY36	Jul-35	\$73.4
FY37	Jul-36	\$83.4
FY38	Jul-37	\$93.8
FY39	Jul-38	\$104.7
FY40	Jul-39	\$116.2

PERFORMANCE IMPLICATIONS

The State Investment Officer, with the approval of the State Investment Council would manage the Trust 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 Trust Fund, but 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.

ADMINISTRATIVE IMPLICATIONS

Adding new funds for the SIC to manage increases administrative complexity and increases staff workloads. Since 2019, the legislature has added 10 more funds for the Council to manage, bringing the total number of investment funds the Council directly oversees to 14.

The SIC has seen its assets more than quadruple in the last 15 years to over \$70 billion today, while its staffing levels have remained relatively flat. Expert opinions sought by the Council to address staffing concerns suggested a need to double the number of investment staff and increase the number of legal and accounting staff to facilitate increased workloads, mitigate risk and maintain proper ongoing due diligence of investments.

The SIC’s budget request for FY27 requested full funding for its current 37 authorized FTE and sufficient funding to add 12 new FTE to support its current operations.

The following shows current legislative proposals to create new funds to be invested by the SIC:

- House Bill 21 and Senate Bill 59 create a new Land Grant-Merced and Acequia Infrastructure Trust Fund.
- House Bill 85 creates a new Medical Provider Recruitment Trust Fund, seeded with a \$5 million general fund appropriation.
- House Bill 243 creates a new Equine Welfare Trust Fund, seeded with a \$5 million general

fund appropriation.

- House Bill 316 creates a new Rural Hospital Malpractice Liability Insurance Trust Fund, seeded with a \$100 million general fund appropriation.
- House Bill 322 creates a new Transportation Trust Fund, seeded with a \$400 million general fund appropriation.
- Senate Bill 202 creates a new Physician Graduate Medical Education Trust Fund, seeded with a \$100 million general fund appropriation.
- Senate Bill 304 creates a new Next Generation Trust Fund, seeded with a \$20 million general fund appropriation.