

LFC Requester:	Grey
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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: 1/31/2026 *Check all that apply:*
Bill Number: SB112 Original Correction
 Amendment Substitute

Sponsor: Campos **Agency Name and Code:** 337 – State Investment Council
Short Title: Severance Tax Fund Investment Classes **Number:** _____
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SECTION II: FISCAL IMPACT

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28		
NFI				Severance Tax Permanent Fund

(Parenthesis () indicate revenue decreases)

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Seante Bill 112 sunsets the State Investment Council’s ability to make most “differential rate investments” through the Severance Tax Permanent Fund (STPF) after July 1, 2026.

FISCAL IMPLICATIONS

SIC staff do not expect this bill to have any fiscal impact since the Council is either not currently invested in or does not have a planned future asset allocation to the differential rate programs this bill sunsets.

The bill does not change or affect the STPF’s 2 percent allocation to the Small Business Investment Corporation (SBIC), since Section 1-B(1) of this bill provides a specific carve-out for that program from the bill’s sunset of differential rate investments. The Council will continue to allocate 2 percent of the fund for SBIC loans to small businesses.

SIGNIFICANT ISSUES

Current law allows the Severance Tax Permanent Fund to be invested in both “market rate” and “differential rate” investments. Market rate investments are typical investments made by the SIC intended to maximize returns on a risk-adjusted basis. Differential rate investments permit less-than-market-rate returns were deemed an acceptable trade-off for the intended or perceived economic benefits of such investments.

Under this bill, the Council would not be able to make new *differential* rate investments in the following programs after July 1, 2026. Notably, however, because the bill does not eliminate these sections of statute, the SIC would retain the ability to make future *market* rate investments in these initiatives in accordance with the prudent investor rule.

- 7-27-5.3 – Conventional mortgage pass-through securities issued by a mortgage pooling corporation that has purchased eligible New Mexico mortgages, up to \$100 million (enacted 1983)
- 7-27-5.4 – Certain market rate loans to businesses established in or looking to expand into New Mexico businesses; up to 20 percent of STPF book value (enacted 1983)
- 7-27-5.5 – Educational loan notes made pursuant to the Educational Assistance Act; up to \$10 million (enacted 1983)
- 7-27-5.13 – Educational institution research and development facilities revenue bonds issued for construction of income-producing facilities at certain New Mexico universities; up to 10 percent of STPF book value (enacted 1989)
- 7-27-5.17 – Revenue bonds issued under the Employers Mutual Company Act; up to \$10 million (enacted 1990)
- 7-27-5.19 – Deposits in New Mexico financial institutions for the purposes of making certain loans to businesses; up to 20 percent of STPF book value (enacted 1993)
- 7-27-5.20 – Deposits in New Mexico credit unions; no limit on STPF value (enacted 1993)
- 7-27-5.21 – New Mexico lottery revenue bonds; up to \$3 million (enacted 1995)
- 7-27-5.22 – Bonds issues for corrections facilities, no limit on STPF value (enacted 1995)
- 7-27-5.24 – Bonds issued for state capitol buildings and renovations; up to \$10.2 million (enacted 1997)
- 7-27-5.26 – Loans for New Mexico film projects, up to \$15 million per project totaling up to 6 percent of STPF market value (enacted 2000)
- 7-27-5.27 – Local government emergency economic relief loans for those that experienced more than a 10 percent decline in local gross receipts tax revenue in last quarter of FY20 due to COVID-19 economic impacts; 1 percent of STPF market value (enacted 2020)
- 7-27-5.15(A & E) – New Mexico private equity funds and New Mexico-based businesses focusing on technology transfer and commercialization from the state’s national labs and universities; up to 11 percent of the STPF market value (enacted 1990)
- 7-27-5.15(G) – Small business recovery loans made prior to December 31, 2022 pursuant to the Small Business Recovery and Stimulus Act to help relieve COVID-19 economic impacts; up to \$500 million (enacted 2020)

Because the bill only limits the Council’s ability to make future differential rate investments, it does not impact those investments to which the council has already committed, particularly in the New Mexico Private Equity Investment Program (NMPEIP) and Small Business Recovery Loan program.

In 2025, the Council voted to restructure the NMPEIP into a new market-rate Strategic Venture Capital Program (SVCP), noting the historical inability of the NMPEIP to produce the double bottom line of financial returns and economic impact as intended. The Council and SIC staff believe the new SVCP will have more success in meeting this double bottom line through a combination of financial returns from a diversified portfolio of commitments to world-class venture capital funds along with a wider funnel of investment opportunities focusing on job growth in the state. Nearly all New Mexico-focused commitments the Council has made since 2022 are market-rate investments that fall within the SVCP structure. As such, the changes this bill makes aligns statute with the policy change the Council has already enacted.

PERFORMANCE IMPLICATIONS

We expect the Council's recent restructuring of the former New Mexico private equity investment program to the new Strategic Venture Capital Program to significantly improve the STPF's performance over time.

The STPF has historically underperformed relative to the Land Grant Permanent Fund by about 1 percentage point due to the fund's allocations to differential-rate economically targeted investments. Better focusing the STPF on market-rate investments will enhance the Council's ability to provide stronger investment returns for the fund, which the state is increasingly relying on to fund general government programs and services.