

LFC Requester:	Rodriguez
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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: Feb 3 2026 *Check all that apply:*
Bill Number: SB 177 Original X Correction _____
 Amendment _____ Substitute _____

Sponsor: Sen Munoz **Agency Name and**
General Fund Transfers to **Code Number:** 337 – State Investment Council
Short Title: Other Funds **Person Writing Analysis:** Wollmann
Phone: 5054769540 **Email:** Charles.wollmann@sic.nm.gov

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
	(\$1,220,000)	NR	General Fund
	\$1,220,000; Dollars to be deployed from FY27-FY29, with unexpended funds reverting at the end of FY29	NR	EDD & boards of regents for UNM, NMSU, NM Tech; See Fiscal Implications below

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: SB177 seeks general fund appropriations totaling \$1.22 billion for distribution across several Economic Development Department programs and state research universities to coordinate efforts that will strategically attract and build next generation technology projects to support a wave of expected research and development in quantum computing, artificial intelligence, next-generation advanced energy and more. New Mexico has the potential to be a national epicenter or meaningful contributor for these next-generation technologies if it can establish foundational infrastructure to strategically support these emerging industries. Funding would be directed primarily through the Economic

Development Department as well as state universities and related industry trade associations. The appropriations also include quality of life funding to support these efforts in the areas of outdoor recreation, workforce training, public safety and healthy food among other programs. Appropriations for this “moonshot” effort will target making expenditures from FY27-FY29, with all unexpended balances reverting to the general fund at the end of FY29.

FISCAL IMPLICATIONS

The following list summarizes the appropriations sought **from the general fund** via SB177:

Section 1: \$9,000,000 for the outdoor equity grant program fund under the Economic Development Department. This is a “quality of life” appropriation – one of a handful in the bill - to help improve the NM ecosystem/living conditions and assist recruitment and retention of scientific and entrepreneurial talent. The transfer is to occur July 1, 2026.

Section 2: \$111,000,000 for the research development and deployment fund, overseen by EDD/Technology and Innovation Office created by the legislature in 2025. The transfer is to occur July 1, 2026.

Section 3: \$20,000,000 for the site readiness fund, overseen by EDD. This transfer would occur on July 1, 2027.

Section 4: \$100,000,000 for the development training fund overseen by EDD. This transfer is to occur July 1, 2027.

Section 5: \$20,000,000 for the Local Economic Development Act fund (LEDA), administered by EDD. The transfer would occur July 1, 2027 for application in FY28 & FY29.

Section 6: \$25,000,000 for an advanced energy industry innovation hub and venture studio, to be created by EDD and contractors to provide operational support for start-ups focused on targeted technologies to improve advanced energy systems, deployment, solutions, storage and related climate technology FY27-29. Unexpended dollars would revert to the general fund at the end of FY29.

Section 7: \$37,500,000 to the EDD for FY27-FY29 to fund entrepreneurs creating startups as well as advanced energy trade associations to advocate on NM’s behalf in areas of collaboration. This appropriation would also target federal grants and matching dollars; support training programs for advanced energy workers; enable national laboratory scientists sabbatical support to pursue commercial technology development opportunities in NM, as determined by the EDD.

Section 8: \$30,900,00 to the EDD for FY27-FY29 for contractual services to support a defense tech, bioscience and aerospace innovation hub to create, launch and scale start-ups and develop a sensitive compartmented information facility (SCIF) sometimes required for federal classified/secret applications.

Section 9: \$52,000,000 in aggregate for NM research-university boards of regents to be used in targeted spending for research: **\$9,000,000** to the board of regents for NM Institute of Mining and Technology (NM Tech) for FY27-FY29 to enable a wireless technology hub at NM Tech’s Playas research/training center and fund research for emerging wireless tech for defense and

commercial uses; **\$7,000,000** to NM Tech regents for FY27-FY29 for energetics materials research and testing of aged munitions and components; **\$2,000,000** for the University of New Mexico's board of regents to purchase robots, 3D printers and associated equipment and renovation of a centralized training facility; **\$8,000,000** to UNM regents for purchase of a list of specified quantum and scientific hardware to be used in collaborative defense research with Sandia & Los Alamos National Labs, and the US Air Force; **\$5,000,000** for UNM regents for health sciences work with various UNM colleges in specified health-related research and applications; **\$5,000,000** to the UNM regents to fund health sciences center high-performance computing upgrades required for AI and quantum research; and **\$16,000,000** for New Mexico State University regents to purchase & install equipment supporting a physical sciences lab. Any unexpended appropriations will revert at the end of FY29.

Section 10: \$118,000,000 to the EDD to leverage opportunities pursuant to the DOE's genesis mission for opportunities to accelerate AI and quantum computing applications working to double US scientific productivity in the coming decade. For use in FY27-FY29 with unexpended dollars reverting to the general fund thereafter.

Section 11: \$49,300,000 to the EDD for matching funds for the US DOD's advanced research projects agency's quantum benchmarking initiative. This money would similarly revert at the end of FY29, though the effort's goal for this initiative's success is targeting an undefined success date before 2033.

Section 12: \$114,000,000 to the EDD for matching federal funds to maintain a quantum computing testbed, related to work done by the DOE's office of science for scientific discovery.

Section 13: \$37,500,000 to the EDD to fund entrepreneurs creating quantum computing related start-ups, as well as quantum-computing related trade associations to advocate for NM in acquiring federal funding; to provide for workforce training programs; to provide flexibility for scientists at national labs through incentives allowing them to take sabbatical from lab research in pursuit of technology commercialization through entrepreneurship; and to support businesses in recruiting and training quantum-computing related workforce, as prioritized by the EDD for expenditure during FY27-FY29 and reversion of unspent capital thereafter.

Section 14: \$34,800,000 to EDD to provide money determined as appropriate to support entrepreneurs and small businesses with science and technology focused start-ups through FY27-FY29.

Section 15: \$60,000,000 to EDD to fund an innovation hub that will co-locate lab and office space for companies and entrepreneurs in target sectors and to support technology and innovation growth. Non-expended funding will revert at the end of FY29.

Section 16: \$21,000,000 to EDD to fund the technology innovation prize program for FY27-FY29.

Section 17: \$6,000,000 to EDD for expenditure in FY27-FY29 for the departments healthy food financing program, with a goal of increased food security for under resourced communities and workforce supply chain challenges.

Section 18: \$30,000,000 for the EDD's trails plus grant program for projects improving outdoor spaces, trails, river parks and wildlife viewing areas.

Section 19: \$9,000,000 for the EDD to expend in FY27-FY29 for an indigenous film festival.

Section 20: \$60,000,000 for the EDD to expend in FY27-FY29 for three quantum and two advanced energy faculty endowments at state research universities, to be awarded by the technology and innovation network advisory board; also **\$45,000,000** for research team and lab funding at NM research universities related to quantum; and **\$24,000,000** for two endowed advanced energy faculty teaching teams and lab usage at NM research universities.

Section 21: \$3,000,000 to the EDD for 20 research assistance positions at UNM's center for quantum information and control, stipulating that no more than 5 positions to be held by post-doctoral students and no more than two held by graduate students.

Section 22: \$9,000,000 to EDD for advanced technology workforce training programs for expenditure in FY27-FY29 and any unspent dollars reverting to the general fund.

Section 23: \$20,000,000 to EDD for grants for pilot projects in advanced energy during FY27-FY29, to be coordinated with the State Investment Council's venture capital investments.

Section 24: \$6,000,000 to EDD for account manager positions for target sectors in the technology and innovation division during FY27-FY29.

Section 25: \$135,000,000 to EDD for various purposes funding the quantum New Mexico institute at UNM supporting projects solving challenges in AI, quantum technology, advanced energy, aerospace and defense and bioscience; Specified purchases include hybrid quantum classical system, facilities, installation and computing support in solving major challenges in these fields.

Section 26: \$18,000,000 to EDD for expenditure in FY27-FY29 for science technology, engineering art and mathematics initiatives.

Section 27: \$75,000,000 to EDD to market and promote NM's economic development opportunities and cultural and tourism events in FY27-FY29 with any unexpended appropriations reverting to the general fund.

Section 28: \$6,000,000 to EDD for expenditures during FY27-FY29 to the New Mexico Partnership

Section 29: \$6,000,000 to the regents for the University of New Mexico bioscience authority for expenditure during FY27-FY29.

Section 30: \$60,000,000 to the Department of Finance and Administration for expenditure during FY27-FY29 for public safety initiatives, with unexpended dollars reverting to the general fund at the end of FY29.

SIGNIFICANT ISSUES

SB177 represents a significant and multi-faceted omnibus investment by the state from its general fund, in efforts to capitalize next-generation technologies and establish itself

foundationally as a growing national epicenter of innovation and technology focused on hard science strategies including fusion, artificial intelligence, advanced manufacturing, climate tech and more. The legislation places a great deal of responsibility on the state's Economic Development Department and the boards of regents for the state's research universities (UNM, NMSU, NM Tech) to collaborate and grow these sectors in our state in a constructive and coordinated manner.

While SB177 identifies several specific areas or detailed items for the appropriations to be expended upon, there are also substantial dollars being allocated via expenditures with less-defined guardrails. This lack of definition may be appropriate however, given the dynamic and emerging nature of the technologies and projects being targeted.

The window of opportunity for taking action to support these emerging industries at the seed and sprout stages of development is a limited one, with other states also recognizing the generational opportunity and competing with New Mexico for federal and commercial investment. Our state however has some relative competitive advantages due to its hard-science roots at both the state and federal level, including our research universities, two national labs, the Air Force Research Laboratory, three military bases, White Sands Missile Range and Spaceport America. SB177 would in some ways, "double down" on those existing resources and advantages to capitalize on a time-sensitive opportunity.

The State Investment Council, which since 2022 has committed \$1.8 billion to venture capital managers who are focused on investments in deep-tech strategies emerging in our state, recognizes the potential benefits SB177 can help deliver, as long as there is good alignment with our existing and ongoing investments and partnerships that have been created with truly experienced and qualified groups with established domain expertise and long track records of proven success.

Section 23 of the bill has an important stipulation that appropriated funds should be "...coordinated with the state investment council's venture capital investments." Though the mechanism for this coordination is not specifically, statutorily defined, this same collaborative requirement to receive appropriations would be beneficial to the bill if added to Sections 6-8 and 10-13, as well as Section 15 of the bill, to ensure proper efforts at policy alignment and the high standards required under existing practices by the SIC.

While some of the appropriation details related to SB177 are left to later execution at the direction of the Economic Development Department, there are also substantial allocations being provided to NMSU, UNM and NM Tech boards of regents, as well as undefined contracted work EDD will farm out to "trade associations" to represent the state. It may be unavoidable, but in that dispersion of ultimate decision-makers and authority, there is a risk to strategic alignment and long-term vision, lacking one distinct director and authority coordinating all state efforts in this technology "moonshot", and there should be an expectation that some entities will be less effective in some areas than others in that execution.

Similarly, there is an unavoidable risk that by spreading funding across three fiscal years (FY27-FY29), which will occur across two executive administrations, could lead to unexpected lack of coordination should differing visions in leadership occur during that time-period.

Lastly, with such an impactful funding effort, and with such a large amount of capital being injected into a small though growing ecosystem over a short three-year period, there will

undoubtedly be many entities helping the state succeed in this effort. However, there should be a reasonable expectation that the size and magnitude of the appropriation could result in less effective or potentially unqualified groups receiving funding. As with start-up ecosystems, high profile failures or ineffectual investments can actually be damaging to long-term prospects for the success of the broader effort, from both financial and reputational perspectives. For this reason, we would emphasize the importance that EDD and the various boards of regents ensure proper quality controls and safeguards be established to ensure dollars are deployed effectively for targeted, maximum impact.

PERFORMANCE IMPLICATIONS

It is likely that should the legislature and executive approve S177 funding be appropriated to EDD and other entities to catalyze efforts in building and attracting next generation technologies to New Mexico, there will be additional coordination, analytic and diligence resources that SIC will be called upon to expend in relation to this effort.

While the level of resource contribution from SIC won't be fully understood until underway, we must note that SIC itself continues to face resource & personnel shortages due to fund management "growing pains" related to the massive expansion of funds under its control. The SIC has seen assets more than quadruple in value over the past 15 years, without accompanying staffing expansion. The legislature is working diligently with the Council during this session to address this shortage and remedy increased workloads, necessary risk mitigation and proper due diligence of investments.

ADMINISTRATIVE IMPLICATIONS

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

TECHNICAL ISSUES

The definition of "Advanced Energy" [beginning on page 3 ln 24] could be improved with a more meaningful definition of "cleaner." Specifically, reference should be made to "greenhouse gas emissions."

As used in this section, "advanced energy" means technologies for cleaner and more efficient energy production that produce fewer greenhouse gas emissions than fossil fuel technology, including technology and innovation that makes energy use cleaner, safer, more secure and more reliable, battery storage, electric and hybrid vehicles and efficiency improvements for homes, industries and transportation.

The reasoning in improving this definition to focus on greenhouse gases and not a generic "cleaner", is because "cleaner" can mean different things to different people in different contexts. Two examples: 1) nuclear fission, may be deemed to be less clean than fossil fuels because fossil fuel energy production settles out of the atmosphere in a few decades whereas the radioactive waste produced by a fission reactor may remain radioactive for hundreds of thousands of years; or 2) lithium batteries, may be deemed "unclean" because mining lithium has many negative environmental impacts (e.g., destruction of habitats, production of large quantities of waste water, other environmental externalities).

Defining "advanced energy" in terms of greenhouse gas emissions keeps the focus on what many

deem to be most important. There is nothing wrong with “clean” as an aspiration, but the defining priority should be the end of greenhouse gas emissions.

OTHER SUBSTANTIVE ISSUES

There is a concern that by making SB177 funding revert to the general fund at the end of FY29, there will still be fiscal needs beyond that for potentially several of the new entities and efforts created during the prior three years. The need for additional funding – and an evaluation of its effectiveness so far - could be addressed at that point, but as with any project(s) of this scale and magnitude, there is potential for additional and recurring expense before getting across the finish line.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS

As previously indicated in the significant issues above, SIC would suggest that efforts related to sections 6-8, 10-13 and Section 15 of the bill, that SIC be required to take a more active role in coordination of some strategic partners, which should improve long-term alignment of the state’s strategic investments and efforts related to making New Mexico a key national resource for the emerging technologies to be funded through these appropriations.