

HOUSE APPROPRIATIONS AND FINANCE COMMITTEE SUBSTITUTE FOR
HOUSE BILL 371

57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026

AN ACT

RELATING TO THE PUBLIC PEACE, HEALTH, SAFETY AND WELFARE;
ENACTING THE LAND GRANT-MERCED AND ACEQUIA INFRASTRUCTURE ACT;
CREATING THE LAND GRANT-MERCED AND ACEQUIA INFRASTRUCTURE TRUST
FUND; CREATING THE LAND GRANT-MERCED INFRASTRUCTURE PROJECT
FUND AND THE ACEQUIA INFRASTRUCTURE PROJECT FUND; REVISING
SEVERANCE TAX BONDING ALLOCATIONS; MAKING APPROPRIATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. ~~[NEW MATERIAL]~~ SHORT TITLE.--Sections 1
through 8 of this act may be cited as the "Land Grant-Merced
and Acequia Infrastructure Act".

SECTION 2. ~~[NEW MATERIAL]~~ DEFINITIONS.--As used in the
Land Grant-Merced and Acequia Infrastructure Act:

A. "acequia" means an acequia or community ditch
organized as a political subdivision pursuant to Chapter 73,

.233879.4

underscored material = new
[bracketed material] = delete

1 Article 2 or 3 NMSA 1978;

2 B. "commission" means the interstate stream
3 commission;

4 C. "council" means the land grant council;

5 D. "department" means the department of finance and
6 administration;

7 E. "infrastructure assistance" means the provision
8 of grants to land grants-mercedes on terms and conditions
9 approved by the council or to acequias on terms and conditions
10 approved by the commission;

11 F. "land grant-merced" means a land grant that is
12 designated as a political subdivision pursuant to Section
13 49-1-2 NMSA 1978 or Chapter 49, Article 4 NMSA 1978;

14 G. "qualified project" means an infrastructure
15 assistance project selected for infrastructure assistance
16 pursuant to the Land Grant-Merced and Acequia Infrastructure
17 Act; and

18 H. "trust fund" means the land grant-merced and
19 acequia infrastructure trust fund.

20 SECTION 3. [NEW MATERIAL] COUNCIL--POWERS--DUTIES.--The
21 council shall:

22 A. by July 1, 2027, in consultation with the
23 department, promulgate rules governing terms, conditions and
24 priorities for providing infrastructure assistance to land
25 grants-mercedes, including developing application and

.233879.4

1 evaluation procedures and forms and qualifications for
2 applicants and for qualified projects;

3 B. provide infrastructure assistance to land
4 grants-mercedes for qualified projects on terms and conditions
5 established by the council; and

6 C. authorize funding for qualified projects,
7 including:

8 (1) planning, designing, constructing,
9 improving, expanding or equipping facilities and infrastructure
10 needed to encourage economic and community development;

11 (2) developing engineering feasibility reports
12 for infrastructure projects;

13 (3) providing special engineering services;

14 (4) completing environmental assessments or
15 archaeological clearances and other surveys for infrastructure
16 projects;

17 (5) acquiring land, easements or rights of
18 way; and

19 (6) purchasing durable equipment.

20 SECTION 4. [NEW MATERIAL] COMMISSION--POWERS--DUTIES.--

21 The commission shall:

22 A. by July 1, 2027, in consultation with the
23 department, promulgate rules governing terms, conditions and
24 priorities for providing infrastructure assistance to acequias,
25 including application and evaluation procedures and forms and

.233879.4

underscored material = new
[bracketed material] = delete

1 qualifications for applicants and for qualified projects;

2 B. provide infrastructure assistance to acequias
3 for qualified projects on terms and conditions established by
4 the commission; and

5 C. authorize funding for qualified projects,
6 including:

7 (1) planning, engineering design or
8 construction of irrigation works and infrastructure projects,
9 including dams, reservoirs, diversions, ditches, flumes or
10 other appurtenances for the purposes of restoration, repair,
11 disaster response recovery and hazard mitigation, improvement
12 of irrigation efficiency and protection from floods;

13 (2) planning, designing, constructing and
14 equipping facilities;

15 (3) acquiring land, easements or rights of
16 way; and

17 (4) purchasing durable equipment.

18 SECTION 5. [NEW MATERIAL] LAND GRANT-MERCED AND ACEQUIA
19 INFRASTRUCTURE TRUST FUND--CREATED--INVESTMENT--DISTRIBUTION.--

20 A. The "land grant-merced and acequia
21 infrastructure trust fund" is created as a nonreverting fund in
22 the state treasury. The trust fund consists of distributions,
23 appropriations, gifts, grants and donations. Money in the fund
24 is appropriated by the legislature to provide distributions for
25 land grant-merced and acequia infrastructure projects. Income

.233879.4

underscored material = new
[bracketed material] = delete

1 from investment of the trust fund shall be credited to the
 2 trust fund. Money in the trust fund shall be expended only as
 3 provided in this section.

4 B. The state investment officer, subject to the
 5 approval of the state investment council, shall invest money in
 6 the trust fund:

7 (1) in accordance with the prudent investor
 8 rule set forth in the Uniform Prudent Investor Act; and

9 (2) in consultation with the commission and
 10 the council.

11 C. Income from investment of the trust fund shall
 12 be credited to the trust fund. Money in the trust fund shall
 13 not be expended for any purpose, but annual distributions from
 14 the trust fund shall be made to the land grant-merced
 15 infrastructure project fund and the acequia infrastructure
 16 project fund pursuant to this section.

17 D. Beginning July 1, 2028, if, as of the end of a
 18 fiscal year, the balance in the trust fund is over forty
 19 million dollars (\$40,000,000), three percent of the average of
 20 the year-end market value of the balance in the trust fund for
 21 the immediately preceding five calendar years shall be divided
 22 into equal distributions to the land grant-merced
 23 infrastructure project fund and the acequia infrastructure
 24 project fund.

25 SECTION 6. [NEW MATERIAL] LAND GRANT-MERCED

.233879.4

underscored material = new
 [bracketed material] = delete

1 INFRASTRUCTURE PROJECT FUND--CREATED--PURPOSE--
2 APPROPRIATIONS.--

3 A. The "land grant-merced infrastructure project
4 fund" is created in the state treasury and shall be
5 administered by the department in consultation with the
6 council.

7 B. The land grant-merced infrastructure project
8 fund consists of:

- 9 (1) distributions from the trust fund;
10 (2) payments of principal and interest on
11 loans for qualified projects; and
12 (3) other money appropriated by the
13 legislature or distributed or otherwise allocated to the land
14 grant-merced infrastructure project fund for the purpose of
15 supporting qualified projects.

16 C. Except for severance tax bond proceeds required
17 to revert to the severance tax bonding fund, balances in the
18 land grant-merced infrastructure project fund at the end of a
19 fiscal year shall revert to the trust fund.

20 D. The department, in consultation with the
21 council, may establish procedures and promulgate rules as
22 required to:

- 23 (1) administer the land grant-merced
24 infrastructure project fund;
25 (2) originate grants or loans for qualified

1 projects recommended by the council; and

2 (3) govern the process through which
 3 applicants may apply for financial assistance from the land
 4 grant-merced infrastructure project fund.

5 E. Disbursements from the land grant-merced
 6 infrastructure project fund shall be made by warrant of the
 7 secretary of finance and administration pursuant to vouchers
 8 signed by the chair of the council.

9 F. A land grant-merced shall apply to the council
 10 for funding from the land grant-merced infrastructure project
 11 fund for a qualified project prior to submitting a request for
 12 a legislative capital outlay appropriation for that project.
 13 When requesting legislative appropriations for a qualified
 14 project, a land grant-merced shall provide evidence of a
 15 funding need, including proof that an application for funding
 16 for the qualified project was submitted to the council.

17 SECTION 7. [NEW MATERIAL] ACEQUIA INFRASTRUCTURE PROJECT
 18 FUND--CREATED--PURPOSE--APPROPRIATIONS.--

19 A. The "acequia infrastructure project fund" is
 20 created in the state treasury and shall be administered by the
 21 department in consultation with the commission.

22 B. The acequia infrastructure project fund consists
 23 of:

- 24 (1) distributions from the trust fund;
- 25 (2) payments of principal and interest on

.233879.4

underscored material = new
 [bracketed material] = delete

1 loans for qualified projects; and

2 (3) other money appropriated by the
3 legislature or distributed or otherwise allocated to the
4 acequia infrastructure project fund for the purpose of
5 supporting qualified projects.

6 C. Except for severance tax bond proceeds required
7 to revert to the severance tax bonding fund, balances in the
8 acequia infrastructure project fund at the end of a fiscal year
9 shall revert to the trust fund.

10 D. The department, in consultation with the
11 commission, may establish procedures and promulgate rules as
12 required to:

13 (1) administer the acequia infrastructure
14 project fund;

15 (2) originate grants or loans for qualified
16 projects recommended by the commission; and

17 (3) govern the process through which
18 applicants may apply for financial assistance from the acequia
19 infrastructure project fund.

20 E. Disbursements from the acequia infrastructure
21 project fund shall be made by warrant of the secretary of
22 finance and administration pursuant to vouchers signed by the
23 chair of the commission.

24 F. An acequia shall apply to the commission for
25 funding from the acequia infrastructure project fund for a

.233879.4

1 qualified project prior to submitting a request for a
 2 legislative capital outlay appropriation for that project.
 3 When requesting legislative appropriations for a qualified
 4 project, an acequia shall provide evidence of a funding need,
 5 including proof that an application for funding for the
 6 qualified project was submitted to the commission.

7 **SECTION 8. [NEW MATERIAL] REPORTS.--**

8 A. The council shall provide a report to the
 9 appropriate legislative interim committee tasked with examining
 10 land grant-merced issues no later than November 1 of each year
 11 regarding the total expenditures from the land grant-merced
 12 infrastructure project fund for the previous fiscal year, the
 13 purposes for which expenditures were made, an analysis of the
 14 progress of the projects funded and recommendations for
 15 improvement of the Land Grant-Merced and Acequia Infrastructure
 16 Act.

17 B. The commission shall provide a report to the
 18 appropriate legislative interim committee tasked with examining
 19 acequia issues no later than October 1 of each year regarding
 20 the total expenditures from the acequia infrastructure project
 21 fund for the previous fiscal year, the purposes for which
 22 expenditures were made, an analysis of the progress of the
 23 projects funded and proposals for improvement of the Land
 24 Grant-Merced and Acequia Infrastructure Act.

25 **SECTION 9. Section 7-27-10.1 NMSA 1978 (being Laws 2003,**

.233879.4

1 Chapter 134, Section 1, as amended) is amended to read:

2 "7-27-10.1. TRANSFER TO SEVERANCE TAX PERMANENT FUND
3 BEFORE DETERMINING BONDING CAPACITY--AUTHORIZATION FOR
4 SEVERANCE TAX BONDS--PRIORITY FOR WATER [~~PROJECTS~~] AND TRIBAL
5 INFRASTRUCTURE AND LAND GRANT-MERCED AND ACEQUIA INFRASTRUCTURE
6 PROJECTS.--

7 A. On December 31 of each year from 2019 through
8 2028, the division shall transfer twenty-three million six
9 hundred ninety thousand dollars (\$23,690,000) from the
10 severance tax bonding fund to the severance tax permanent fund,
11 unless the state board of finance determines that a lesser
12 transfer amount is necessary pursuant to Section 7-27-8 NMSA
13 1978 to avoid a potential shortfall in debt service
14 obligations.

15 B. By January 15 of each year, the division shall
16 estimate the amount of bonding capacity available for severance
17 tax bonds to be authorized by the legislature based on the
18 lesser of the following estimates:

19 (1) an estimate that provides for equal annual
20 issuances over the expected term of bonds with terms greater
21 than one year anticipated to be issued by the state board of
22 finance in the fiscal year in compliance with the requirements
23 of Section 7-27-14 NMSA 1978; and

24 (2) an estimate that provides that issuances
25 for each year of that term shall be projected to result in

.233879.4

1 stable levels of state tax supported debt relative to the
2 median state debt ratios published by the national municipal
3 bond rating agencies.

4 C. The division shall allocate nine percent of the
5 estimated bonding capacity each year for water projects, and
6 the legislature authorizes the state board of finance to issue
7 severance tax bonds in the annually allocated amount for use by
8 the water trust board to fund water projects statewide. The
9 water trust board shall certify to the state board of finance
10 the need for issuance of bonds for water projects. The state
11 board of finance may issue and sell the bonds in the same
12 manner as other severance tax bonds in an amount not to exceed
13 the authorized amount provided for in this subsection. If
14 necessary, the state board of finance shall take the
15 appropriate steps to comply with the federal Internal Revenue
16 Code of 1986, as amended. Proceeds from the sale of the bonds
17 are appropriated to the water project fund in the New Mexico
18 finance authority for the purposes certified by the water trust
19 board to the state board of finance.

20 D. The division shall allocate four and one-half
21 percent of the estimated bonding capacity for tribal
22 infrastructure projects.

23 E. The legislature authorizes the state board of
24 finance to issue severance tax bonds in the amount provided for
25 in this section for use by the tribal infrastructure board to

.233879.4

1 fund tribal infrastructure projects. The tribal infrastructure
2 board shall certify to the state board of finance the need for
3 issuance of bonds for tribal infrastructure projects. The
4 state board of finance may issue and sell the bonds in the same
5 manner as other severance tax bonds in an amount not to exceed
6 the authorized amount provided for in this section. If
7 necessary, the state board of finance shall take the
8 appropriate steps to comply with the federal Internal Revenue
9 Code of 1986, as amended. Proceeds from the sale of the bonds
10 are appropriated to the tribal infrastructure project fund for
11 the purposes certified by the tribal infrastructure board to
12 the state board of finance.

13 F. Beginning July 1, 2026 and prior to July 1,
14 2031, after the allocation of severance tax bonds pursuant to
15 the Severance Tax Bonding Act, if a remainder of capacity for
16 senior severance tax bonds with a duration shorter than one
17 year exists, the division shall allocate the remainder of the
18 estimated bonding capacity to the land grant-merced and acequia
19 infrastructure trust fund; provided that the balance of the
20 land grant-merced and acequia infrastructure trust fund is less
21 than one hundred seventy-five million dollars (\$175,000,000).

22 G. The legislature authorizes the state board of
23 finance to issue severance tax bonds in the amount provided for
24 in this section for the land grant-merced and acequia
25 infrastructure trust fund. The land grant council shall

1 certify to the state board of finance the need for issuance of
 2 bonds for the land grant-merced and acequia infrastructure
 3 trust fund. The state board of finance may issue and sell the
 4 bonds with a duration shorter than one year in the same manner
 5 as other severance tax bonds in an amount not to exceed one
 6 hundred seventy-five million dollars (\$175,000,000) in any
 7 year. If necessary, the state board of finance shall take the
 8 appropriate steps to comply with the federal Internal Revenue
 9 Code of 1986, as amended. Proceeds from the sale of the bonds
 10 are appropriated to the land grant-merced and acequia
 11 infrastructure trust fund for distributions for the purposes
 12 certified by the land grant council for land grant-merced
 13 infrastructure projects to the state board of finance.

14 H. The legislature authorizes the state board of
 15 finance to issue severance tax bonds in the amount provided for
 16 in this section for the land grant-merced and acequia
 17 infrastructure trust fund. The interstate stream commission
 18 shall certify to the state board of finance the need for
 19 issuance of bonds for the land grant-merced and acequia
 20 infrastructure trust fund. The state board of finance may
 21 issue and sell the bonds in the same manner as other severance
 22 tax bonds in an amount not to exceed the authorized amount
 23 provided for in this section. If necessary, the state board of
 24 finance shall take the appropriate steps to comply with the
 25 federal Internal Revenue Code of 1986, as amended. Proceeds

.233879.4

1 from the sale of the bonds are appropriated to the land
2 grant-merced and acequia infrastructure trust fund for
3 distributions for the purposes certified by the interstate
4 stream commission for acequia infrastructure projects to the
5 state board of finance.

6 [F-] I. Money from the severance tax bonds provided
7 for in this section shall not be used to pay indirect project
8 costs. Any unexpended balance from proceeds of severance tax
9 bonds issued for a water, [~~project or a~~] tribal infrastructure,
10 acequia infrastructure or land grant-merced infrastructure
11 project shall revert to the severance tax bonding fund within
12 six months of completion of the project. The New Mexico
13 finance authority shall monitor and ensure proper reversions of
14 the bond proceeds appropriated for water projects, and the
15 department of finance and administration shall monitor and
16 ensure proper reversions of the bond proceeds appropriated for
17 acequia infrastructure, tribal infrastructure and land grant-
18 merced infrastructure projects.

19 [G-] J. As used in this section:

20 (1) "acequia infrastructure project" means a
21 qualified project approved by the interstate stream commission
22 pursuant to the Land Grant-Merced and Acequia Infrastructure
23 Act;

24 [~~(1)~~] (2) "division" means the board of
25 finance division of the department of finance and

1 administration;

2 (3) "land grant-merced infrastructure project"
3 means a qualified project approved by the land grant council
4 pursuant to the Land Grant-Merced and Acequia Infrastructure
5 Act;

6 [~~2~~] (4) "tribal infrastructure project"
7 means a qualified project under the Tribal Infrastructure Act;
8 and

9 [~~3~~] (5) "water project" means a capital
10 outlay project for:

11 (a) the storage, conveyance or delivery
12 of water to end users;

13 (b) the implementation of federal
14 Endangered Species Act of 1973 collaborative programs;

15 (c) the restoration and management of
16 watersheds;

17 (d) flood prevention; or

18 (e) conservation, recycling, treatment
19 or reuse of water."

20 **SECTION 10. EFFECTIVE DATE.**--The effective date of the
21 provisions of this act is July 1, 2026.