

Proposed

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,

Article 2 or 3 NMSA 1978;

B. "commission" means the interstate stream  
commission;

C. "council" means the land grant council;

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

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

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

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

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

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

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

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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

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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. Income from  
24 investment of the trust fund shall be credited to the trust  
25 fund. Money in the trust fund shall be expended only as

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provided in this section.

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

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

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

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

D. Except as provided in Subsection E of this section, beginning July 1, 2028, if, as of the end of a fiscal year, the balance in the trust fund is over five million dollars (\$5,000,000), three percent of the average of the year-end market value of the balance in the trust fund for the immediately preceding five calendar years shall be divided into equal distributions to the land grant-merced infrastructure project fund and the acequia infrastructure project fund.

E. If, on July 1 of any year, four and seven-tenths percent of the average of the year-end market value of the balance in the trust fund for the immediately preceding five

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calendar years exceeds five million dollars (\$5,000,000), four and seven-tenths percent of the average of the year-end market value of the balance in the trust fund for the immediately preceding five calendar years shall be divided into equal distributions to the land grant-merced infrastructure project fund and the acequia infrastructure project fund.

**SECTION 6. ~~[NEW MATERIAL]~~ LAND GRANT-MERCED INFRASTRUCTURE PROJECT FUND--CREATED--PURPOSE-- APPROPRIATIONS.--**

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

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

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

C. Except for severance tax bond proceeds required to revert to the severance tax bonding fund, balances in the land grant-merced infrastructure project fund at the end of a

1 fiscal year shall revert to the trust fund.

2 D. The department, in consultation with the  
3 council, may establish procedures and promulgate rules as  
4 required to:

5 (1) administer the land grant-merced  
6 infrastructure project fund;

7 (2) originate grants or loans for qualified  
8 projects recommended by the council; and

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

12 E. Disbursements from the land grant-merced  
13 infrastructure project fund shall be made by warrant of the  
14 secretary of finance and administration pursuant to vouchers  
15 signed by the chair of the council.

16 F. A land grant-merced shall apply to the council  
17 for funding from the land grant-merced infrastructure project  
18 fund for a qualified project prior to submitting a request for  
19 a legislative capital outlay appropriation for that project.  
20 When requesting legislative appropriations for a qualified  
21 project, a land grant-merced shall provide evidence of a  
22 funding need, including proof that an application for funding  
23 for the qualified project was submitted to the council.

24 SECTION 7. [NEW MATERIAL] ACEQUIA INFRASTRUCTURE PROJECT  
25 FUND--CREATED--PURPOSE--APPROPRIATIONS.--

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1           A. The "acequia infrastructure project fund" is  
2 created in the state treasury and shall be administered by the  
3 department in consultation with the commission.

4           B. The acequia infrastructure project fund consists  
5 of:

6                   (1) distributions from the trust fund;

7                   (2) payments of principal and interest on  
8 loans for qualified projects; and

9                   (3) other money appropriated by the  
10 legislature or distributed or otherwise allocated to the  
11 acequia infrastructure project fund for the purpose of  
12 supporting qualified projects.

13           C. Except for severance tax bond proceeds required  
14 to revert to the severance tax bonding fund, balances in the  
15 acequia infrastructure project fund at the end of a fiscal year  
16 shall revert to the trust fund.

17           D. The department, in consultation with the  
18 commission, may establish procedures and promulgate rules as  
19 required to:

20                   (1) administer the acequia infrastructure  
21 project fund;

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

24                   (3) govern the process through which  
25 applicants may apply for financial assistance from the acequia



1 infrastructure project fund.

2 E. Disbursements from the acequia infrastructure  
3 project fund shall be made by warrant of the secretary of  
4 finance and administration pursuant to vouchers signed by the  
5 chair of the commission.

6 F. An acequia shall apply to the commission for  
7 funding from the acequia infrastructure project fund for a  
8 qualified project prior to submitting a request for a  
9 legislative capital outlay appropriation for that project.  
10 When requesting legislative appropriations for a qualified  
11 project, an acequia shall provide evidence of a funding need,  
12 including proof that an application for funding for the  
13 qualified project was submitted to the commission.

14 SECTION 8. [NEW MATERIAL] REPORTS.--

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

24 B. The commission shall provide a report to the  
25 appropriate legislative interim committee tasked with examining

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acequia issues no later than October 1 of each year regarding the total expenditures from the acequia infrastructure project fund for the previous fiscal year, the purposes for which expenditures were made, an analysis of the progress of the projects funded and proposals for improvement of the Land Grant-Merced and Acequia Infrastructure Act.

**SECTION 9.** Section 7-27-10.1 NMSA 1978 (being Laws 2003, Chapter 134, Section 1, as amended) is amended to read:

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

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

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

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

6 (2) an estimate that provides that issuances  
7 for each year of that term shall be projected to result in  
8 stable levels of state tax supported debt relative to the  
9 median state debt ratios published by the national municipal  
10 bond rating agencies.

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

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board to the state board of finance.

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

E. The legislature authorizes the state board of finance to issue severance tax bonds in the amount provided for in this section for use by the tribal infrastructure board to fund tribal infrastructure projects. The tribal infrastructure board shall certify to the state board of finance the need for issuance of bonds for tribal infrastructure projects. The state board of finance may issue and sell the bonds in the same manner as other severance tax bonds in an amount not to exceed the authorized amount provided for in this section. If necessary, the state board of finance shall take the appropriate steps to comply with the federal Internal Revenue Code of 1986, as amended. Proceeds from the sale of the bonds are appropriated to the tribal infrastructure project fund for the purposes certified by the tribal infrastructure board to the state board of finance.

F. Beginning July 1, 2026 and prior to July 1, 2031, after the allocation of severance tax bonds pursuant to the Severance Tax Bonding Act, if a remainder of capacity for senior severance tax bonds with a duration shorter than one year exists, the division shall allocate the remainder of the estimated bonding capacity to the land grant-merced and acequia

1 infrastructure trust fund; provided that the balance of the  
2 land grant-merced and acequia infrastructure trust fund is less  
3 than one hundred seventy-five million dollars (\$175,000,000).

4 G. The legislature authorizes the state board of  
5 finance to issue severance tax bonds in the amount provided for  
6 in this section for the land grant-merced and acequia  
7 infrastructure trust fund. The land grant council shall  
8 certify to the state board of finance the need for issuance of  
9 bonds for the land grant-merced and acequia infrastructure  
10 trust fund. The state board of finance may issue and sell the  
11 bonds with a duration shorter than one year in the same manner  
12 as other severance tax bonds in an amount not to exceed one  
13 hundred seventy-five million dollars (\$175,000,000) in any  
14 year. If 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 land grant-merced and acequia  
18 infrastructure trust fund for distributions for the purposes  
19 certified by the land grant council for land grant-merced  
20 infrastructure projects to the state board of finance.

21 H. The legislature authorizes the state board of  
22 finance to issue severance tax bonds in the amount provided for  
23 in this section for the land grant-merced and acequia  
24 infrastructure trust fund. The interstate stream commission  
25 shall certify to the state board of finance the need for

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

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

[6-] J. As used in this section:

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

[{1-}] (2) "division" means the board of finance division of the department of finance and administration;

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

[{2-}] (4) "tribal infrastructure project" means a qualified project under the Tribal Infrastructure Act; and

[{3-}] (5) "water project" means a capital outlay project for:

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

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

(c) the restoration and management of watersheds;

(d) flood prevention; or

(e) conservation, recycling, treatment

or reuse of water."

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

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underscored material = new  
[~~bracketed material~~] = delete