

Proposed

1 HOUSE APPROPRIATIONS AND FINANCE COMMITTEE SUBSTITUTE FOR  
2 HOUSE BILL 371

3 **57TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2026**

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10 AN ACT

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

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

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

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

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

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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

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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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1 provided in this section.

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

5                   (1) in accordance with the prudent investor  
6 rule set forth in the Uniform Prudent Investor Act; and  
7                   (2) in consultation with the commission and  
8 the council.

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

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

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

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

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

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

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

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

23 C. Except for severance tax bond proceeds required  
24 to revert to the severance tax bonding fund, balances in the  
25 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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A. The "acequia infrastructure project fund" is created in the state treasury and shall be administered by the department in consultation with the commission.

B. The acequia 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 acequia 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 acequia infrastructure project fund at the end of a fiscal year shall revert to the trust fund.

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

(1) administer the acequia infrastructure project fund;

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

(3) govern the process through which 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

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

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

9 "7-27-10.1. TRANSFER TO SEVERANCE TAX PERMANENT FUND  
10 BEFORE DETERMINING BONDING CAPACITY--AUTHORIZATION FOR  
11 SEVERANCE TAX BONDS--PRIORITY FOR WATER [PROJECTS] AND TRIBAL  
12 INFRASTRUCTURE AND LAND GRANT-MERCED AND ACEQUIA INFRASTRUCTURE  
13 PROJECTS.--

14 A. On December 31 of each year from 2019 through  
15 2028, the division shall transfer twenty-three million six  
16 hundred ninety thousand dollars (\$23,690,000) from the  
17 severance tax bonding fund to the severance tax permanent fund,  
18 unless the state board of finance determines that a lesser  
19 transfer amount is necessary pursuant to Section 7-27-8 NMSA  
20 1978 to avoid a potential shortfall in debt service  
21 obligations.

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

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

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

C. The division shall allocate nine percent of the estimated bonding capacity each year for water projects, and the legislature authorizes the state board of finance to issue severance tax bonds in the annually allocated amount for use by the water trust board to fund water projects statewide. The water trust board shall certify to the state board of finance the need for issuance of bonds for water 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 subsection. 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 water project fund in the New Mexico finance authority for the purposes certified by the water trust

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1 board to the state board of finance.

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

5                   E. The legislature authorizes the state board of  
6 finance to issue severance tax bonds in the amount provided for  
7 in this section for use by the tribal infrastructure board to  
8 fund tribal infrastructure projects. The tribal infrastructure  
9 board shall certify to the state board of finance the need for  
10 issuance of bonds for tribal infrastructure projects. The  
11 state 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 section. 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 tribal infrastructure project fund for  
18 the purposes certified by the tribal infrastructure board to  
19 the state board of finance.

20                   F. Beginning July 1, 2026 and prior to July 1,  
21 2031, after the allocation of severance tax bonds pursuant to  
22 the Severance Tax Bonding Act, if a remainder of capacity for  
23 senior severance tax bonds with a duration shorter than one  
24 year exists, the division shall allocate the remainder of the  
25 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

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.

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1 [G.] J. As used in this section:

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

6 [+] (2) "division" means the board of  
7 finance division of the department of finance and  
8 administration;

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

13 [+] (4) "tribal infrastructure project"  
14 means a qualified project under the Tribal Infrastructure Act;  
15 and

16 [+] (5) "water project" means a capital  
17 outlay project for:

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

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

22 (c) the restoration and management of  
23 watersheds;

24 (d) flood prevention; or

25 (e) conservation, recycling, treatment

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1 or reuse of water."

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

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