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SENATE BILL

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

INTRODUCED BY

Leo Jaramillo

AN ACT

RELATING TO INFRASTRUCTURE; 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; 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;

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

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

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

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

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

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

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

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

21           A. in consultation with the department, promulgate  
22 rules governing terms, conditions and priorities for providing  
23 infrastructure assistance to land grants-mercedes, including  
24 developing application and evaluation procedures and forms and  
25 qualifications for applicants and for qualified projects;

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

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

6                   (1) planning, designing, constructing,  
7 improving, expanding or equipping water and wastewater  
8 facilities, major water systems, electrical power lines,  
9 communications infrastructure, roads, health infrastructure,  
10 emergency response facilities and infrastructure needed to  
11 encourage economic development;

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

14                   (3) providing special engineering services;

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

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

20                   (6) purchasing durable equipment.

21       SECTION 4. [NEW MATERIAL] COMMISSION--POWERS--DUTIES.--  
22 The commission shall:

23           A. in consultation with the department, promulgate  
24 rules governing terms, conditions and priorities for providing  
25 infrastructure assistance to acequias, including application

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

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

6 C. authorize funding for qualified projects,  
7 including for planning, engineering design or construction of  
8 irrigation works and infrastructure projects, including dams,  
9 reservoirs, diversions, ditches, flumes or other appurtenances  
10 for the purposes of restoration, repair, improvement of  
11 irrigation efficiency and protection from floods.

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

14 A. The "land grant-merced and acequia  
15 infrastructure trust fund" is created as a nonreverting fund in  
16 the state treasury. The trust fund consists of distributions,  
17 appropriations, gifts, grants and donations. Income from  
18 investment of the trust fund shall be credited to the trust  
19 fund. Money in the trust fund shall be expended only as  
20 provided in this section.

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

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

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

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

9 D. Except as provided in Subsection E of this  
10 section, if, as of the end of a fiscal year, the balance in the  
11 trust fund is over five million dollars (\$5,000,000), three  
12 percent of the balance in the trust fund shall be divided into  
13 equal distributions to the land grant-merced infrastructure  
14 project fund and the acequia infrastructure project fund.

15 E. If, on July 1 of any year, four and seven-tenths  
16 percent of the average of the year-end market value of the  
17 balance in the trust fund for the immediately preceding five  
18 calendar years exceeds five million dollars (\$5,000,000), four  
19 and seven-tenths percent of the balance in the trust fund shall  
20 be divided into equal distributions to the land grant-merced  
21 infrastructure project fund and the acequia infrastructure  
22 project fund.

23 SECTION 6. [NEW MATERIAL] LAND GRANT-MERCED  
24 INFRASTRUCTURE PROJECT FUND--CREATED--PURPOSE--  
25 APPROPRIATIONS.--

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

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

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

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

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

- 21                   (1) administer the land grant-merced  
22 infrastructure project fund;  
23                   (2) originate grants or loans for qualified  
24 projects recommended by the council; and  
25                   (3) govern the process through which qualified

1 entities may apply for financial assistance from the land  
2 grant-merced infrastructure project fund.

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

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

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

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

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

- 23 (1) distributions from the trust fund;  
24 (2) payments of principal and interest on  
25 loans for qualified projects; and

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

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

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

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

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

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

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

23 F. An acequia shall apply to the commission for  
24 funding from the acequia infrastructure project fund for an  
25 infrastructure project prior to submitting a request for a

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

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

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

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

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

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1 "7-27-10.1. TRANSFER TO SEVERANCE TAX PERMANENT FUND  
2 BEFORE DETERMINING BONDING CAPACITY--AUTHORIZATION FOR  
3 SEVERANCE TAX BONDS--PRIORITY FOR WATER ~~[PROJECTS]~~ AND TRIBAL  
4 INFRASTRUCTURE AND LAND GRANT-MERCED AND ACEQUIA INFRASTRUCTURE  
5 PROJECTS.--

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

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

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

23 (2) an estimate that provides that issuances  
24 for each year of that term shall be projected to result in  
25 stable levels of state tax supported debt relative to the

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1 median state debt ratios published by the national municipal  
2 bond rating agencies.

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

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

22 E. Prior to July 1, 2032, the division shall  
23 allocate one and one-tenth percent of the estimated bonding  
24 capacity for land grant-merced infrastructure projects.

25 F. Prior to July 1, 2032, the division shall

1 allocate one and one-tenth percent of the estimated bonding  
2 capacity for acequia infrastructure projects.

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

18 H. The legislature authorizes the state board of  
19 finance to issue severance tax bonds in the amount provided for  
20 in this section for use by the land grant council to fund land  
21 grant-merced infrastructure projects. The land grant council  
22 shall certify to the state board of finance the need for  
23 issuance of bonds for land grant-merced infrastructure  
24 projects. The state board of finance may issue and sell the  
25 bonds in the same manner as other severance tax bonds in an

1 amount not to exceed the authorized amount provided for in this  
2 section. If necessary, the state board of finance shall take  
3 the appropriate steps to comply with the federal Internal  
4 Revenue Code of 1986, as amended. Proceeds from the sale of  
5 the bonds are appropriated to the land grant-merced  
6 infrastructure project fund for the purposes certified by the  
7 land grant council for land grant-merced infrastructure  
8 projects to the state board of finance.

9 I. The legislature authorizes the state board of  
10 finance to issue severance tax bonds in the amount provided for  
11 in this section for use by the interstate stream commission to  
12 fund acequia infrastructure projects. The interstate stream  
13 commission shall certify to the state board of finance the need  
14 for issuance of bonds for acequia infrastructure projects. The  
15 state board of finance may issue and sell the bonds in the same  
16 manner as other severance tax bonds in an amount not to exceed  
17 the authorized amount provided for in this section. If  
18 necessary, the state board of finance shall take the  
19 appropriate steps to comply with the federal Internal Revenue  
20 Code of 1986, as amended. Proceeds from the sale of the bonds  
21 are appropriated to the acequia infrastructure project fund for  
22 the purposes certified by the interstate stream commission for  
23 acequia infrastructure projects to the state board of finance.

24 [F.] J. Money from the severance tax bonds provided  
25 for in this section shall not be used to pay indirect project

1 costs. Any unexpended balance from proceeds of severance tax  
2 bonds issued for a water, ~~[project or a]~~ tribal infrastructure,  
3 acequia infrastructure or land grant-merced infrastructure  
4 project shall revert to the severance tax bonding fund within  
5 six months of completion of the project. The New Mexico  
6 finance authority shall monitor and ensure proper reversions of  
7 the bond proceeds appropriated for water projects, and the  
8 department of finance and administration shall monitor and  
9 ensure proper reversions of the bond proceeds appropriated for  
10 acequia infrastructure, tribal infrastructure and land grant-  
11 merced infrastructure projects.

12 ~~[G-]~~ K. As used in this section:

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

17 ~~[+1-]~~ (2) "division" means the board of  
18 finance division of the department of finance and  
19 administration;

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

24 ~~[+2-]~~ (4) "tribal infrastructure project"  
25 means a qualified project under the Tribal Infrastructure Act;

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1 and

2 ~~[(3)]~~ (5) "water project" means a capital  
3 outlay project for:

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

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

8 (c) the restoration and management of  
9 watersheds;

10 (d) flood prevention; or

11 (e) conservation, recycling, treatment  
12 or reuse of water."

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

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