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## FISCAL IMPACT REPORT

**BILL NUMBER:** CS/Senate Bill 240/ec/SFCS/aSFI#1

**SHORT TITLE:** Capital Outlay Projects

**SPONSOR:** Senate Finance Committee

**LAST ORIGINAL**  
**UPDATE:** 2/18/2026      **DATE:** 2/16/2026      **ANALYST:** Carswell/Ortega

### APPROPRIATION\* (dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
\$444,200.0	No fiscal impact	Nonrecurring	Senior Severance Tax Bonding Capacity
Up to \$280,000.0	See fiscal impact	Nonrecurring	Supplemental Severance Tax Bonding Capacity
No fiscal impact	\$445,140.0	Nonrecurring	General Fund
\$26,230.0	No fiscal impact	Nonrecurring	Capital Development Program Fund
\$5,000.0	No fiscal impact	Nonrecurring	Game Protection Fund
\$2,000.0	No fiscal impact	Nonrecurring	Habitat Management Fund
\$500.0	No fiscal impact	Nonrecurring	Trail Safety Fund
\$10,500.0	No fiscal impact	Nonrecurring	Capitol Buildings Repair Fund
\$1,500.0	No fiscal impact	Nonrecurring	Miners Trust Fund
\$10,000.0	\$29,315.0	Nonrecurring	Public School Capital Outlay Fund
\$750.0	No fiscal impact	Nonrecurring	Land Maintenance Fund
<b>\$780,680.0</b>	<b>\$474,455.0</b>	<b>Nonrecurring</b>	<b>TOTAL</b>

\*Amounts reflect most recent analysis of this legislation.

Relates to House Bills, 8, 247, 248, and 332.

### Sources of Information

LFC Files

## SUMMARY

### Synopsis of SFI#1 Amendment to SFC Substitute for Senate Bill 240

The Senate floor amendment to the Senate Finance Committee substitute for Senate Bill 240 correct three technical drafting errors. The corrections ensure the funds are appropriated as the sponsors intended and do not add funding to the bill.

### Synopsis of SFC Substitute for Senate Bill 240

The Senate Finance Committee substitute for Senate Bill 240 appropriates \$1.3 billion from all sources, including \$444.2 million from senior severance tax bonds, \$445.1 million from the general fund, \$280 million from supplemental severance tax bonds, and \$85.8 million from other state funds for the purpose of funding 1,344 capital outlay projects statewide.

Section 1 provides for the circumstances and timelines under which appropriations made in this bill shall revert to the severance tax bonding fund. Unexpended balances shall revert no later than September 30 following the end of FY28 for appropriations to purchase vehicles, furniture, or equipment and following the end of FY30 for appropriations for construction or renovations. Sections 2 and 3 align the timelines for expenditures from the general fund and other state funds with those for projects funded with severance tax bonds. If grantees do not certify the need for appropriations named within the bill to the Department of Finance and Administration by the end of FY28, the authorizations for those projects are void. Additionally, Section 2 specifies that general fund appropriations are made in FY27.

SB240/SFCS requires that, before a certification of need for severance tax bond proceeds is made, the project must be sufficiently developed so that the entity reasonably expects to encumber at least 5 percent of the appropriation within six months and to expend at least 85 percent within three years.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

## **FISCAL IMPLICATIONS**

The appropriations of approximately \$1.3 billion contained in this bill are nonrecurring expenses to the severance tax bonding fund, supplemental severance tax bonding fund, general fund, and other state funds. Any unexpended or unencumbered balance remaining at the end of the fiscal year specified in Sections 1, 2, and 3 of the bill shall revert to the originating fund.

Funding in this bill includes \$416 million for state agency projects, \$24.8 million for judiciary projects, and \$289.3 million for higher education and tribal education projects. Nearly \$445.1 million in general fund revenue and \$80 million in severance tax bonds in the SB240/SFCS is appropriated to local projects prioritized by House and Senate members and the governor. A listing of the projects funded in this bill is attached.

The Board of Finance, January 2026 STB capacity estimates project the following distributions to earmark funds: \$185.9 million to the water project fund (9 percent earmark); \$92.9 million to the colonias infrastructure project fund (4.5 percent earmark); \$92.9 million to the tribal infrastructure project fund (4.5 percent earmark); and \$51.6 million to the housing trust fund (2.5 percent earmark). Supplemental severance tax bonding capacity for public school capital projects is estimated to total \$751.7 million for FY26.

## **SIGNIFICANT ISSUES**

Demand for capital outlay continues to exceed available funding, even as state revenues surge. Capital outlay requests for 2026 totaled \$5.9 billion, including \$3.7 billion in requests from local

entities for discretionary appropriations from House and Senate members and \$2.2 billion in requests from state agencies and higher education institutions. SB240/SFCS appropriates \$1.3 billion from all sources, or roughly 22 percent of requested funding.

The proposed projects and funding for state agencies, the judiciary, and higher education institutions in this bill are based on analysis, criteria, site visits, review of infrastructure capital improvement plans, monthly meetings with major departments, and testimony at interim hearings. Projects that address public health and safety and that reduce risk and liability to the state were prioritized, as were projects already in progress that require additional funds to complete.

Major appropriations for state agencies and higher education institutes in the bill include:

- \$280 million for a new School of Medicine at the University of New Mexico in Albuquerque;
- \$95 million for an executive office building in Santa Fe;
- \$75 million for a new forensic unit at the New Mexico Behavioral Health Institute in Las Vegas;
- \$20 million for continued statewide buildout of the P25 public safety radio communications system statewide;
- \$17 million for magistrate court improvements statewide, including up to \$10 million for a magistrate court in Cibola County, and up to \$6.5 million for a magistrate court in Sandoval County, and at least \$500 thousand for emergency repairs and small projects statewide;
- \$13 million for a wildfire response program facility for the forestry division in Santa Fe and for forestry division facilities and vehicles statewide;
- \$7.5 million for watershed restoration work in high-risk watersheds and buffer areas to reduce catastrophic wildfire risk; and
- \$2.5 million for a State Police sub-district 6 facility replacement in Grants.

Additionally, several state agency projects are for the benefit of local entities, including:

- \$30 million for recreation and quality of life grants administered by the Department of Finance and Administration (DFA);
- \$26.2 million for funds to support applicants for capital development program funds to complete vetted, partially funded local projects;
- \$19.3 million for school bus replacements and associated equipment for public school districts; and
- \$5 million for emergency capital projects through DFA.

The proposed funding for state-owned projects in this bill strikes a balance between need and capacity to efficiently expend funds and complete projects. Finding such a balance is necessary due to historically high outstanding balances across thousands of active projects previously authorized by the Legislature and ongoing challenges in completing projects due to rising construction costs, supply chain issues, and labor constraints.

## **ADMINISTRATIVE IMPLICATIONS**

The state agencies and institutions to which appropriations are directed are responsible for monitoring the projects funded within the bill and associated expenditures to ensure compliance

with the New Mexico Constitution and state law. Agency oversight includes all financial transactions and reporting. Local entities are required to report project status and progress to the state on a quarterly basis. Legislative Finance Committee staff provide every legislator with quarterly reports on the status of their sponsored projects based on this reporting.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

SB240/SFCS relates to House Bill 247, capital outlay changes.

SB240/SFCS relates to House Bill 248, the general obligation bond bill.

SB240/SFCS relates to House Bill 332, the annual capital outlay reauthorization bill.

SB240/SFCS relates to House Bill 8, the higher education major projects fund bill.

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