

LFC Requester:

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**AGENCY BILL ANALYSIS - 2026 REGULAR SESSION**

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto:billanalysis@dfa.nm.gov)*(Analysis must be uploaded as a PDF)***SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*Date Prepared: 01/29/2026

Check all that apply:

Bill Number: HB21Original  Correction Amendment  Substitute Sponsor: Miguel P. GarciaAgency Name  
and CodeNumber: OSA 308Short  
Title:Land Grant-Merced and  
Acequia Infrastructure ActPerson Writing  
Analysis:David Stephens, Director of  
Government AccountabilityPhone: (505) 629-6632Email david.stephens@osa.nm.gov**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or	Fund Affected
FY26	FY27	FY28		

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

Analysis of Amendments (adopted by the Rural Development, Land Grants and Cultural Affairs Committee):

- **Section 3(A) and Section 4(A):** Adds a July 1, 2027 deadline for the Land Grant Council and the Interstate Stream Commission to promulgate rules for providing infrastructure assistance. These deadlines will help avoid open-ended implementation.
- **Section 3(A)(1):** Strikes specific descriptive terms for facilities and infrastructure and adds “community” as a form of allowable development along with “economic.” These changes may broaden what counts as a qualified project.
- **Section 4(C):** Adds subsections (1) through (4) and inserts disaster response recovery and hazard mitigation to the definition of qualified projects, expanding eligibility for acequia assistance to include projects tied to emergency impacts. Subsections (2) through (4) add additional eligible project categories (facilities/land/equipment), which aligns acequias’ access to authorized funding closer to land grants (e.g., land rights, equipment), not just construction.
- **Section 6(F):** Shifts the responsibility for application intake (and proof of submittal) from the DFA to the Land Grant Council. This may help streamline the overall process more since the Council will be responsible for promulgating rules, conditions, and priorities. However, it will necessitate the Council ensuring it has systems in place to field and process applications.
- **Section 9(E) – amendment to Section 7-27-10.1 NMSA 1978:** Adds a new subsection that embeds the bonding capacity allocations directly into the main severance tax bonding capacity statute section (7-27-10.1). It also sunsets the allocation on 7/1/2032).
- **Section 10:** Cuts the entire section which, in the introduced text, established a new section of the Severance Tax Bonding Act for the allocation of bonding capacity. This section is effectively replaced by Section 9(E).
- Throughout, amendments renumbered and relettered subsections accordingly.

Synopsis:

- Establishes the Land Grant-Merced and Acequia Infrastructure Act to provide infrastructure assistance to land grants-mercedes and acequias and creates three funds:
  1. Land Grant-Merced and Acequia Infrastructure Trust Fund (non-reverting in state treasury, investment-based)
  2. Land Grant-Merced Infrastructure Project Fund
  3. Acequia Infrastructure Project Fund
- Authorizes funding for and defines “qualified projects” for both land grant-mercedes and acequias and establishes reporting requirements.
- Authorizes the State Board of Finance to issue severance tax bonds for land grant-merced and acequia infrastructure projects and establishes related requirements.
- Bill’s effective date is July 1, 2026

#### **FISCAL IMPLICATIONS**

- Creates dedicated funding streams for infrastructure financing, likely reducing land grant-merced and acequia reliance on unpredictable capital outlay appropriations.
- Proposed funds will receive money from distributions, appropriations, gifts, grants, donations, and severance tax bond proceeds.
- The bill does not include a direct appropriation amount but establishes the framework for future appropriations and bond allocations.
- DFA, Land Grant Council, and Interstate Stream Commission will incur administrative costs for rulemaking, application review, and fund administration.
- Annual distributions and bond issuances create recurring fiscal commitments through 2032.
- Allocates 2.2% of severance tax bonding capacity (1.1% each for land grants-mercedes and acequias), which may reduce capacity for other capital projects but increases the stability of funding for infrastructure projects approved under this bill. A delayed repeal of bonding allocation provisions takes effect July 1, 2032.

## **SIGNIFICANT ISSUES**

- Requires entities to apply for funding before requesting legislative capital outlay.
- Requires the Land Grant Council and Interstate Stream Commission, in consultation with the Department of Finance and Administration (DFA) to promulgate rules, conditions, and priorities for providing infrastructure assistance, including criteria and procedures for applicants and projects.
- Mandates annual reporting from the Land Grant Council and Interstate Stream Commission to the appropriate legislative committee on expenditures, the purposes for which expenditures were made, an analysis of the progress of the projects funded and recommendations for improvement.

## **PERFORMANCE IMPLICATIONS**

## **ADMINISTRATIVE IMPLICATIONS**

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

## **TECHNICAL ISSUES**

## **OTHER SUBSTANTIVE ISSUES**

Applicants for projects funded by HB0021 would be subject to the requirements for financial certification and reporting in HB493, the Public Finance Accountability Act. HB493 mandates entities receive capital outlay funding only if they:

- Have a publicly available annual audit under the Audit Act (NMSA §12-6-3) and have resolved any material weaknesses or significant deficiencies to the satisfaction of DFA.
- For entities not required to have an annual audit, they must have approved methods and procedures for accounting and fund management and have addressed any identified deficiencies (this applies to most acequias and land grants-mercedes).
- Are compliant with all financial reporting requirements, including those in the Audit Act, and have an approved current year budget.

## **ALTERNATIVES**

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL  
AMENDMENTS**