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FISCAL IMPACT REPORT

BILL NUMBER: Senate Bill 112

SHORT TITLE: Severance Tax Fund Investment Classes

SPONSOR: Campos

LAST ORIGINAL
UPDATE: _____ **DATE:** 1/28/2026 **ANALYST:** Gray/Montano

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
SIC	No fiscal impact	No fiscal impact	No fiscal impact	No fiscal impact	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies That Were Asked for Analysis but did not Respond
State Investment Council
Economic Development Department
New Mexico Attorney General

SUMMARY

Synopsis of Senate Bill 112

The bill aligns statute with the State Investment Council's (SIC) Strategic Venture Capital Program (SVCP). The bill contains clean-up provisions that eliminate currently unused provisions which allow the agency to make below-market rate investments in several asset types, detailed in *Significant Issues*.

The effective date of this bill is July 1, 2026.

FISCAL IMPLICATIONS

The bill aligns statute with current SIC policies and eliminates unused investment types. Accordingly, there are no fiscal impacts.

SIGNIFICANT ISSUES

For years, the severance tax permanent fund (STPF) lagged the performance of the land grant permanent fund (LGPF), New Mexico's other large, long-term investment fund. In 2024, LFC estimated the performance gap between the two funds would cost the STPF \$11 billion in lost balances if the status quo continued. In 2025, SIC updated its investment policies to require a market rate return for all private equity investments, including investments made in New Mexico businesses, in an effort to improve STPF investment returns. Because the 2025 SIC update aligns with this bill's provisions, this bill is not expected to have a fiscal impact.

Pursuant to the Uniform Prudent Investor Act (see 45-7-601 to 45-7-612 NMSA 1978), SIC has broad authority to make investments if they generate a market rate return. Currently, statute allows SIC to make below-market rate investments in many asset types. The bill removes statutory provisions allowing below-market provisions in the following programs:

- Conventional mortgage pass-through securities (7-27-5.3)
- Securing loans made by farm credit entities and U.S. HUD-approved loans (7-27-5.4)
- Educational loan notes (7-27-5.5)
- Educational institution research and development facilities revenue bonds (7-27-5.13)
- Employers mutual company revenue bonds (7-27-5.17)
- Corrections facilities bonds (7-27-5.22)
- State capitol buildings and renovations bonds (7-27-5.24)
- Investment in films to be produced in New Mexico (7-27-5.26)
- Pandemic-related local government emergency economic relief (7-27-5.27)

SIC does not have current investments in these below-market rate asset types.

The bill does not impact SIC investments made to the small business investment corporation provided under 7-27-5.15 (F).

BG/dw/rl