

SENATE FINANCE COMMITTEE SUBSTITUTE FOR  
SENATE BILL 535

**54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019**

AN ACT

RELATING TO SEVERANCE TAX BONDING; PROVIDING FOR A MINIMUM  
DISTRIBUTION FROM THE SEVERANCE TAX BONDING FUND TO THE  
SEVERANCE TAX PERMANENT FUND EVERY YEAR FOR TEN YEARS; LIMITING  
THE AMOUNT OF SUPPLEMENTAL SEVERANCE TAX BONDS OR NOTES ISSUED  
IN 2019.

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

**SECTION 1.** Section 7-27-10 NMSA 1978 (being Laws 1961,  
Chapter 5, Section 8, as amended) is amended to read:

"7-27-10. STATE BOARD OF FINANCE SHALL ISSUE BONDS.--

A. The state board of finance is authorized to  
issue and sell severance tax bonds within the provisions of the  
Severance Tax Bonding Act, and no other agency of the state is  
authorized to issue or sell severance tax bonds.

B. The state board of finance may issue and sell

1 supplemental severance tax bonds within the provisions of the  
2 Severance Tax Bonding Act, and no other agency of the state is  
3 authorized to issue or sell supplemental severance tax bonds.  
4 As a temporary measure for fiscal year 2019, the state board of  
5 finance shall not issue and sell more than one hundred eighty-  
6 one million eight hundred thousand dollars (\$181,800,000) of  
7 supplemental severance tax bonds or notes."

8 SECTION 2. Section 7-27-10.1 NMSA 1978 (being Laws 2003,  
9 Chapter 134, Section 1, as amended) is amended to read:

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

14 A. By December 29 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 [~~A.~~] B. By January 15 of each year, the division  
23 shall estimate the amount of bonding capacity available for  
24 severance tax bonds to be authorized by the legislature.

25 [~~B.~~] C. For each year except 2017, the division

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

17 ~~[G.]~~ D. The division shall allocate the following  
 18 percentage of the estimated bonding capacity for tribal  
 19 infrastructure projects:  
 20 (1) in 2016, six and one-half percent; and  
 21 (2) in 2017 and each subsequent year, four and  
 22 one-half percent.

23 ~~[D.]~~ E. The legislature authorizes the state board  
 24 of finance to issue severance tax bonds in the amount provided  
 25 for in this section for use by the tribal infrastructure board

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

13 ~~[E.]~~ F. 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 project shall revert to the severance tax bonding fund within  
18 six months of completion of the project. The New Mexico  
19 finance authority shall monitor and ensure proper reversions of  
20 the bond proceeds appropriated for water projects, and the  
21 department of finance and administration shall monitor and  
22 ensure proper reversions of the bond proceeds appropriated for  
23 tribal infrastructure projects.

24 ~~[F.]~~ G. As used in this section:

- 25 (1) "division" means the board of finance

1 division of the department of finance and administration;

2 (2) "tribal infrastructure project" means a  
3 qualified project under the Tribal Infrastructure Act; and

4 (3) "water project" means a capital outlay  
5 project for:

6 (a) the storage, conveyance or delivery  
7 of water to end users;

8 (b) the implementation of federal  
9 Endangered Species Act of 1973 collaborative programs;

10 (c) the restoration and management of  
11 watersheds;

12 (d) flood prevention; or

13 (e) conservation, recycling, treatment  
14 or reuse of water."