

LFC Requester:

A. Davidson

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

AgencyAnalysis.nmlegis.gov and email to 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: 2/13/25

Check all that apply:

Bill Number: SB374Original Correction Amendment Substitute Sponsor: SB374Short LAND GRANT-MERCED &
ACEQUIA

Agency Name

and Code

OSA 308

Number:

Person Writing

David CraigPhone: 5056999911Email David.Craig@osa.nm.go**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or	Fund Affected
FY25	FY26	FY27		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(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

Synopsis:

Senate Bill 374 (SB374) creates the Land Grant-Merced and Acequia Infrastructure Act (the Act) to provide infrastructure assistance to land grants-mercedes and acequias. SB374 creates the Land Grant-Merced and Acequia Infrastructure Trust Fund (trust fund), a flowthrough fund. SB 374 creates the Land Grant-Merced Infrastructure Project Fund and the Acequia Infrastructure Project Fund which receive funds from the trust fund. SB 374 also provides funding for land grant-mercedes and acequias from estimated severance tax bonding (STB) capacity and authorizes the Department of Finance and Administration's (DFA's) Board of Finance (BOF) to issue the bonds. SB 374 creates other provisions in law for the Act including reporting requirements and requirements to have proceeds invested by the State Investment Officer.

FISCAL IMPLICATIONS

SB374 provides that the trust fund is a non-reverting fund and requires the State Investment Council (SIC) to invest the funds like the land grant permanent funds. Annual distributions are calculated as follows:

- July 1 of each year when the balance in the trust fund is over \$5.0 million, three percent of the balance in the fund shall be divided into equal distributions to the Land Grant-Merced Infrastructure Project Fund and the Acequia Infrastructure Project Fund; and
- July 1, 4.7 percent of the average of year-end market value of the trust fund balance for the preceding five calendar years exceeds \$5.0 million, 4.7 percent of the balance is to be divided into equal distributions to the two funds.

Two and two tenths of STB bonding capacities is sold to be divided with one and one tenth percent each for the Land Grant-Merced Infrastructure Project Fund and the Acequia Infrastructure Project Fund.

The amounts of STB bonding capacity this would generate would require access to the bonding capacity worksheets at the DFA BOF.

SIGNIFICANT ISSUES

SB 374 requires the Land Grant Council, consulting with DFA, to adopt rules and priorities governing infrastructure assistance to land grants-mercedes. SB 374 indicates the Land Grant Council provides assistance and funding to the land grants-mercedes for qualified projects, from planning and design to construction, improvement or expansion of water and wastewater facilities, electrical power lines, communications infrastructure, roads, health infrastructure, emergency response facilities and infrastructure needed for economic development. Funding may also be authorized for engineering feasibility reports, special engineering services, completing environmental assessments or archeological surveys, acquiring land, easements or rights of way and purchasing durable equipment.

SB 374 establishes that the Land Grant-Merced Infrastructure Project Fund is a reverting fund administered by DFA in consultation with the council. The fund consists of distributions from the Trust Fund; payments of principal and interest on loans for projects; other legislative appropriations; and the proceeds of severance tax bonds appropriated to the fund for qualified purposes. Except for bond proceeds that revert to the Severance Tax Bonding Fund, balances in the project fund revert to the trust fund.

SB 374 provides that the Interstate Stream Commission, consulting with DFA, adopts rules and priorities for infrastructure assistance to acequias. SB374 provides assistance and authorizes funding for qualified projects from planning and design to construction of irrigation works and infrastructure projects including dams, reservoirs, diversions, ditches or other appurtenances for restoration, repair, improvement or irrigation efficiency and protection from floods.

PERFORMANCE IMPLICATIONS

ADMINISTRATIVE IMPLICATIONS

Projects created and developed by SB 374 would be subject to the requirements for financial certification put in place by Executive Order 2013-006. Many of our land grant-Merced are small, local public bodies that have not conducted up to date agreed upon procedures reviews as required for financial compliance with the Audit Act. The Office of the State Auditor (OSA) has developed and implemented an assistance program to help these land grant communities with achieving financial compliance requirements. The OSA works closely with the Land Grant Council to identify land grants with needs in financial certification, providing technical assistance and training opportunities to these organizations and communicating with the Land Grant Council on a regular basis. The small Local Public Bodies Program at OSA does cover more than land grant Merced, providing assistance to other small rural governments too, such as acequias and mutual domestic water associations (MDWA's). As of January 16, 2025, the OSA helped remove such access restrictions for approximately \$3.1 million in withheld appropriations to acequias, land grants, and MDWA's, and new entities are being identified for assistance at any given point in time. OSA would continue its partnership with the Land Grant Council to remove any access restrictions related to financial compliance to entities receiving new grants under the new Act.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB 374 is related to:

HB 21 LAND GRANT-MERCED ASSISTANCE FUND CHANGES

HB25 LAND GRANT-MERCED INFRASTRUCTURE ACT

TECHNICAL ISSUES

OTHER SUBSTANTIVE ISSUES

The amount of Severance Tax Bonding capacity for 2025 or out years is not publicly made information by the BOF at DFA. As such, there is limited ability to calculate estimated STB sales. It is possible that redirecting STB bonding capacity to land grant merced projects would impact available STB bonding capacity for other state uses.

ALTERNATIVES

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

AMENDMENTS