

LFC Requester: \_\_\_\_\_

**AGENCY BILL ANALYSIS  
2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

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*{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}*

Check all that apply:

Original  Amendment \_\_\_\_\_  
Correction \_\_\_\_\_ Substitute \_\_\_\_\_

Date 1/14/25

Bill No: H25-341

Sponsor: García  
Short LAND GRANT-MERCED  
Title: INFRASTRUCTURE ACT

Agency Name  
and Code DFA-341  
Number: \_\_\_\_\_  
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**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 Nonrecurring	Fund Affected
FY25	FY26	FY27		
(\$19,696)	(\$19,816)	(\$20,260)	Recurring	Senior STB Revenue for Other Capital Projects
\$19,696	\$19,816	\$20,260	Recurring	Land Grant- Merced Project fund

(Parenthesis ( ) Indicate Expenditure Decreases)

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

	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>		\$108.13	\$106.33	214.46	R	GF

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: HB 21, Land Grant-Merced Assistance Fund Changes. This bill amends the  
Duplicates/Relates to Appropriation in the General Appropriation Act

**SECTION III: NARRATIVE**

**BILL SUMMARY**

Synopsis:

House Bill 25, introduced by Miguel P. García for the Land Grant Committee, enacts the Land Grant-Merced Infrastructure Act, which aims to support infrastructure development for land grants-mercedes in New Mexico.

The legislation establishes the land grant-merced infrastructure trust fund, which will be invested by the State Investment Council, and the land grant-merced infrastructure project fund. The project fund will finance qualified infrastructure projects, such as water and wastewater facilities, electrical power lines, roads, and health infrastructure. The Land Grant Council, in consultation with the Department of Finance and Administration (DFA), is responsible for adopting rules, providing infrastructure assistance, and authorizing funding for these projects.

The project fund will receive an annual distribution of the greater of \$18 million or 4.7% of the average value of the trust fund over the previous five years fund infrastructure projects. The bill appropriates \$20 million from the general fund to the trust fund annually, beginning in FY26, to implement the act. The bill appropriates the lesser of 1% of the project fund or \$50,000 to the Council for expenditure to administer the fund (unexpended operating funds revert annually).

The Department of Finance and Administration plays a crucial role in administering the project fund in consultation with the Land Grant Council. The DFA is tasked with ensuring proper investment of the trust fund, managing the project fund, and overseeing the disbursement of funds for qualified projects. Additionally, the DFA's Local Government Division (LGD) will monitor and ensure proper reversions of bond proceeds appropriated for land grant-mercedes infrastructure projects. This legislation impacts local governments and municipalities by providing financial support for essential infrastructure projects, thereby promoting economic development and improving public services in land grant-merced communities.

The legislation also creates a new severance tax bond (STB) earmark. The bill amends the Severance Tax Bonding Act to authorize the state board of finance to provide 1.1 percent of annual severance tax bonding capacity to fund land grant-merced infrastructure projects. The Land Grant Council must certify the need for the issuance of the bonds to the state board of finance. Bond proceeds that fund certified projects will revert six months upon completion of each project. The legislation implies that the allocation of 1.1% of senior STB capacity by the

state board of finance division will begin in FY26.

## **FISCAL IMPLICATIONS**

The allocation of senior STB capacity to the project fund is offset by an equal reduction in capacity for other capital projects to be funded by senior STB capacity. The reduction in funding for other capital projects (to be appropriated by the legislature) ranges from \$19.7 million in FY25 and \$20.3 million in FY27. Current commitments to existing earmark programs, including water, tribal, and colonias, and the housing trust fund comprise one-third of all senior STB capacity. Adding the FY25 distribution to the recently created capital development reserve fund, annual earmarks/set-asides comprise 40 percent of senior STB capacity in FY25. The 1.1% earmark as provided for in the legislation is not a significant dollar amount, but it will result in further constriction of senior STB capacity for other general capital appropriations moving forward.

A critical fiscal impact of additional earmark/set-asides for the senior STB capacity relates specifically to senior short-term note capacity. The earmark/set-aside programs are either statutorily required to be funded (capital development reserve fund) or are traditionally funded with severance tax notes (water, tribal, colonias, housing trust fund). This provides flexibility to the earmark programs in the use of funds, as they do not need to comply with federal IRS tax requirements, as would be the case if they were funded with tax-exempt long-term bonds. The earmark programs are specifically structured to have that needed flexibility. An increase in annual earmarks/set-asides to be funded with short-term note capacity could eventually use up the entire short-term note capacity in a fiscal year. In fact, legislation passed during the 2024 Session created this scenario. In FY25, commitments of senior short-term note capacity exceed funding available. If the legislature does not correct the issue in the 2025 Session, the board of finance will be required to delay some funding to earmark programs. While FY25 is a unique example, it is important to be aware of increasing commitments from senior short-term note capacity. It further constricts flexibility in the use of funds from senior severance tax bonding capacity overall.

## **SIGNIFICANT ISSUES**

## **PERFORMANCE IMPLICATIONS**

## **ADMINISTRATIVE IMPLICATIONS**

HB25 would require LGD to administer approximately \$20 million annually in new land grant-mercedes infrastructure projects which may require the need for an additional project manager at a total cost of \$109,128 (see FTE cost detail) to manage these additional projects. Each year, several new programs and appropriations are proposed to be administered through LGD and to be successful with meeting its critical statutory duties and overall mission proper resources are required.

**FTE Cost Detail**

Salary	76,960
Benefits	27,538
ISD Rate	864
HCM Assessment Fee	350
Telecom rate	616
On-Boarding Equipment*	<u>2,800</u>
Total FTE Cost	<u><u>109,128</u></u>

\* Includes cell phone, laptop, monitors and licensing

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB 21, Land Grant-Merced Assistance Fund Changes. HB 21 amends the land grant-merced assistance fund, which is another funding source for distribution to land grants-mercedes.

**TECHNICAL ISSUES****OTHER SUBSTANTIVE ISSUES****ALTERNATIVES****WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL****AMENDMENTS**