

LFC Requester: _____

AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

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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}

Date Prepared: 2/14/2025 *Check all that apply:*
Bill Number: SB 374 Original Correction
 Amendment Substitute

Sponsor: Sen. Leo Jaramillo
 Sen Pete Campos & Sen.
 Roberto "Bobby" J. Gonzales

**Agency Name
 and Code
 Number:** Office of the State Engineer
 550

**Person Writing
 Analysis:** Jonathan Martinez

**Short
 Title:** Land Grant-Merced & Acequia
 Infrastructure

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
	\$39,400	Recurring	Severance Tax Bonding Fund

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
NFI	NFI	NFI	N/A	N/A

(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		\$500	\$500	#1,000	Recurring	GF
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(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: HB 330.
 Duplicates/Relates to Appropriation in the General Appropriation Act: None.

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis:

Senate Bill 374 would enact the Land Grant-Merced and Acequia Infrastructure Act. The Act would establish two new annual Severance Tax Bond Fund earmarks for land grants and for acequia projects each equal to 1.1% of the State’s total Severance Tax Bond (STB) bonding capacity. Each year these percentage earmarks would be deposited into the newly created Land Grant-Merced and Acequia Infrastructure Project Funds. The bill would also create a new Land Grant-Merced and Acequia Infrastructure Trust Fund that, if ever capitalized with more than \$5M in funds, would distribute 3% or 4.7% of that trust fund’s balance into new Land Grant-Merced Infrastructure Project and the Acequia Infrastructure Project Funds based on the balance-dependent distribution formulas in Section 5 of the bill.

The Land Grant-Merced and Acequia Infrastructure Act would create new authorities for which severance tax bonds could be sold for, and funds that would allow the revenue generated to be used for Land Grant-Merced and Acequia Infrastructure projects. The funding would be administered by the Department of Finance and Administration (“Department”) in conjunction with the Land Grant Council (for the Land Grant-Merced projects) and the Interstate Stream Commission (for the Acequia Infrastructure projects).

As related to the Interstate Stream Commission (“Commission”) and the Acequia Infrastructure Projects, the bill would require the Commission to promulgate rules in consultation with the Department governing terms, conditions and priorities for providing infrastructure assistance to acequias, including application and evaluation procedures and forms and qualifications for applicants and projects. The bill would provide infrastructure assistance to acequias for qualified projects on terms and conditions established by the Commission. The bill would authorize funding for qualified projects, including planning, engineering design or construction of irrigation works and infrastructure projects, including dams, reservoirs, diversions, ditches, flumes or other appurtenances for the purposes of restoration, repair, improvement of irrigation efficiency and protection from floods.

Similarly, SB 374 would provide funding for Land Grants-Merced through the Department and in consultation with the Land Grant Council (“Council”) for qualified projects to include the planning, designing, constructing, improving, expanding or equipping water and wastewater facilities, major water systems, electrical power lines, communications infrastructure, roads, health infrastructure, emergency response facilities and infrastructure needed to encourage economic development.

The Land Grant-Merced and Acequia Infrastructure Trust Fund created by SB 374 would be a non-reverting fund in state treasury. This trust fund would consist of money that is appropriated,

donated or otherwise accrues to the trust fund. The Land Grant-Merced Infrastructure Project Fund and Acequia Infrastructure Project Fund would be created in state treasury and would be administered by the Department in consultation with the Council and Commission, respectively. Those Project Funds would revert either to the Severance Tax Bonding Fund (earmark funds) or to the Trust fund (all other funds).

The bill would also require reports from the Council and Commission to appropriate legislative interim committees annually regarding the total expenditures from the funds for the previous fiscal year, the purposes for which expenditures were made, an analysis of the progress of the projects funded and proposals improvement of the Land Grant-Merced and Acequia Infrastructure Act.

FISCAL IMPLICATIONS

The two annual Severance Tax Capacity earmarks created in this bill for acequia and land grant infrastructure would be 1.1% each. Based on estimated annual Senior Severance Tax bonding capacity of \$1,790,500,000, the acequia and land grant earmarks would result in \$19,700,000 being allocated for each of the infrastructure project funds based on needs/shovel-ready projects. The combined fiscal impact of the two earmarks would be \$39,400,000. The allocation is only bonding capacity for projects as identified based on need by the Commission and Council.

The Commission would require additional staffing to administer the \$19.7M in new annual acequia funding provided by this bill dependent on needs/shovel-ready projects as recommended by the Commission. The Acequia Bureau within the agency is currently staffed with five FTEs administering \$2.5M annually in Acequia and Community Ditch Infrastructure Funding (“ACDIF”) in addition to all Capital Outlay Appropriations directly to acequias totaling over 300 individual awards and over \$27M in the last six years. The ACDIF currently provides funding to acequias for planning, engineering designs, disaster response recovery and hazard mitigation, and construction of infrastructure improvement projects in accordance with guidelines that have been adopted by the Commission. The funding provided by SB 374 could complement this ACDIF funding and could be used in the same manner as the existing funding sources for acequias. However, it is anticipated at this time that the Commission would need approximately \$500,000 recurring General Fund to hire four additional FTEs to provide sufficient staff capacity to administer and oversee a significant increase in funds and projects administered.

SIGNIFICANT ISSUES

None.

PERFORMANCE IMPLICATIONS

None.

ADMINISTRATIVE IMPLICATIONS

Additional staffing support will be required at the Commission to administer these funds, initially estimated at four FTEs (\$500,000). SB would also require the Interstate Stream Commission to promulgate rules governing terms, conditions, and priorities for providing infrastructure assistance to acequias, including application and evaluation procedures and forms and qualifications for

applicants and for projects.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 330

TECHNICAL ISSUES

None.

OTHER SUBSTANTIVE ISSUES

The Commission, through its Acequia Bureau, administers all of the individual capital outlay funds that are appropriated by the NM Legislators to individual acequias within their districts. This workload currently consists of over 300 individual appropriations totaling over \$27M during the last six years. In addition, the Acequia Bureau provides \$2.5M annually to acequias as grants for planning, engineering designs, disaster response recovery and hazard mitigation, and construction of infrastructure improvement projects in accordance with guidelines that have been adopted by the Commission. These guidelines require acequias to submit funding applications, which are ranked, and funding decisions are made based on their rankings. The acequia community has also received special appropriations and capital outlay appropriations to be used at the Commission's discretion for acequia projects statewide. That funding has been utilized, in coordination with the Department, along with the existing ACDIF funding to provide more than \$2.5M to the acequias over the past few years. The FY24 and FY25 budgets for ACDIF projects have exceeded \$5M each year because of that additional funding. SB 374 could provide additional recurring funding for acequia projects and could best serve the acequias if used in conjunction with the existing ACDIF program and in accordance with the guidelines that have already been adopted. Those guidelines were developed in coordination with the NM Acequia Commission and NM Acequia Association. SB 374 requires the Commission and the Department to promulgate rules but if the funding were instead allowed to be utilized in conjunction with the existing ACDIF program then rulemaking could be eliminated, and the funds would be administered according to the existing ACDIF guidelines. The applications received over the past few years have exceeded the budgets available demonstrating a need for additional funding for acequia infrastructure projects.

ALTERNATIVES

None.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The Land Grant-Merced and Acequia Infrastructure Act, Trust Funds and Project Funds would not be created to provide financial assistance to land grants and acequias through severance tax bonding authorities.

AMENDMENTS

None.