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HOUSE BILL

**57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025**

INTRODUCED BY

DISCUSSION DRAFT

FOR THE LAND GRANT COMMITTEE

AN ACT

RELATING TO LAND GRANTS-MERCEDES; ENACTING THE LAND GRANT-MERCEDES INFRASTRUCTURE ACT; CREATING A TRUST FUND; MAKING APPROPRIATIONS.

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

SECTION 1. [NEW MATERIAL] SHORT TITLE.--Sections 1 through 6 of this act may be cited as the "Land Grant-Merced Infrastructure Act".

SECTION 2. [NEW MATERIAL] DEFINITIONS.--As used in the Land Grant-Merced Infrastructure Act:

- A. "council" means the land grant council;
- B. "department" means the department of finance and administration;
- C. "infrastructure assistance" means providing grants on terms and conditions approved by the council;

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1           D. "land grant-merced" means a land grant that is  
2 designated as a political subdivision pursuant to Section  
3 49-1-2 NMSA 1978;

4           E. "project fund" means the land grant-merced  
5 infrastructure project fund;

6           F. "qualified project" means a land grant-merced  
7 infrastructure project selected by the council for  
8 infrastructure assistance pursuant to the Land Grant-Merced  
9 Infrastructure Act; and

10          G. "trust fund" means the land grant-merced  
11 infrastructure trust fund.

12           SECTION 3. [NEW MATERIAL] COUNCIL--POWERS--DUTIES.--The  
13 council shall:

14           A. in consultation with the department, adopt rules  
15 governing terms, conditions and priorities for providing  
16 infrastructure assistance to land grants-mercedes, including  
17 developing application and evaluation procedures and forms and  
18 qualifications for applicants and for projects;

19           B. provide infrastructure assistance to land  
20 grants-mercedes for qualified projects on terms and conditions  
21 established by the council; and

22           C. authorize funding for qualified projects,  
23 including:

24                   (1) planning, designing, constructing,  
25 improving, expanding or equipping water and wastewater

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1 facilities, major water systems, electrical power lines,  
2 communications infrastructure, roads, health infrastructure,  
3 emergency response facilities and infrastructure needed to  
4 encourage economic development;

5 (2) developing engineering feasibility reports  
6 for infrastructure projects;

7 (3) providing special engineering services;

8 (4) completing environmental assessments or  
9 archaeological clearances and other surveys for infrastructure  
10 projects;

11 (5) acquiring land, easements or rights of  
12 way; and

13 (6) purchasing durable equipment.

14 SECTION 4. [NEW MATERIAL] LAND GRANT-MERCED  
15 INFRASTRUCTURE TRUST FUND--CREATED--INVESTMENT--DISTRIBUTION.--

16 A. The "land grant-merced infrastructure trust  
17 fund" is created as a nonreverting fund in the state treasury.  
18 The trust fund consists of money that is appropriated, donated  
19 or otherwise accrues to the trust fund. Money in the trust  
20 fund shall be invested by the state investment officer in the  
21 manner that land grant permanent funds are invested pursuant to  
22 Chapter 6, Article 8 NMSA 1978. Income from investment of the  
23 trust fund shall be credited to the trust fund. Money in the  
24 trust fund shall not be expended for any purpose, but an annual  
25 distribution from the trust fund shall be made to the project

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1 fund pursuant to this section.

2 B. On July 1 of each year in which adequate money  
3 is available in the trust fund, an annual distribution shall be  
4 made from the trust fund to the project fund in the amount of  
5 eighteen million dollars (\$18,000,000) until the distribution  
6 is less than an amount equal to four and seven-tenths percent  
7 of the average of the year-end market values of the trust fund  
8 for the immediately preceding five calendar years. Thereafter,  
9 the amount of the annual distribution shall be four and seven-  
10 tenths percent of the average of the year-end market values of  
11 the trust fund for the immediately preceding five calendar  
12 years.

13 SECTION 5. [NEW MATERIAL] LAND GRANT-MERCED  
14 INFRASTRUCTURE PROJECT FUND--CREATED--PURPOSE--  
15 APPROPRIATIONS.--

16 A. The "land grant-merced infrastructure project  
17 fund" is created in the state treasury, and:

18 (1) the department, in consultation with the  
19 council, shall administer the project fund;

20 (2) the project fund consists of:

21 (a) distributions made to the project  
22 fund from the trust fund;

23 (b) other money appropriated by the  
24 legislature or distributed or otherwise allocated to the  
25 project fund for the purpose of supporting qualified projects;

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1 and

2 (c) income from investment of the money  
3 in the project fund that shall be credited to the project fund;

4 (3) balances in the project fund at the end of  
5 a fiscal year shall not revert to the trust fund or to the  
6 general fund; and

7 (4) the project fund may consist of  
8 subaccounts as determined to be necessary by the department.

9 B. The council may establish procedures and adopt  
10 rules as required to administer the project fund and to  
11 originate grants for qualified projects approved by the  
12 council.

13 C. Beginning in fiscal year 2026 and in subsequent  
14 fiscal years, the lesser of one percent of the project fund or  
15 fifty thousand dollars (\$50,000) is appropriated from the  
16 project fund to the council for expenditure in the fiscal year  
17 in which it is appropriated to administer the project fund and  
18 applications to the fund. Any unexpended or unencumbered  
19 balance remaining at the end of any fiscal year shall revert to  
20 the project fund.

21 D. The balance in the project fund not otherwise  
22 appropriated in this section is appropriated to the council for  
23 expenditure in fiscal year 2026 and in subsequent fiscal years  
24 to provide grants for qualified projects. Any unexpended or  
25 unencumbered balance remaining at the end of a fiscal year

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1 shall revert to the project fund.

2 E. Disbursements from the project fund shall be  
3 made by warrant of the secretary of finance and administration  
4 or the secretary's designee pursuant to vouchers signed by the  
5 chair of the council or the chair's designee.

6 SECTION 6. [NEW MATERIAL] LEGISLATIVE OVERSIGHT--RULE  
7 REVIEW--REPORT.--

8 A. Rules proposed by the council in consultation  
9 with the department pursuant to the Land Grant-Merced  
10 Infrastructure Act shall be reviewed by the appropriate  
11 legislative interim committee working on land grant-merced  
12 issues prior to approval.

13 B. The appropriate legislative committee working on  
14 land grant-merced issues shall be briefed by the council on  
15 grant proposals submitted to the council and shall review,  
16 monitor and provide assistance and advice concerning grants  
17 proposed by the council.

18 C. The council shall report to the appropriate  
19 legislative interim committee working on land grant-merced  
20 issues no later than October 1 of each year regarding the total  
21 expenditures from the project fund for the previous fiscal  
22 year, the purposes for which expenditures were made, an  
23 analysis of the progress of the projects funded and proposals  
24 for legislative action in the subsequent legislative session.

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

2 "7-27-10.1. TRANSFER TO SEVERANCE TAX PERMANENT FUND  
3 BEFORE DETERMINING BONDING CAPACITY--AUTHORIZATION FOR  
4 SEVERANCE TAX BONDS--PRIORITY FOR WATER, [~~PROJECTS AND~~] TRIBAL  
5 INFRASTRUCTURE AND LAND GRANT-MERCED INFRASTRUCTURE PROJECTS.--

6 A. On December 31 of each year from 2019 through  
7 2028, the division shall transfer twenty-three million six  
8 hundred ninety thousand dollars (\$23,690,000) from the  
9 severance tax bonding fund to the severance tax permanent fund,  
10 unless the state board of finance determines that a lesser  
11 transfer amount is necessary pursuant to Section 7-27-8 NMSA  
12 1978 to avoid a potential shortfall in debt service  
13 obligations.

14 B. By January 15 of each year, the division shall  
15 estimate the amount of bonding capacity available for severance  
16 tax bonds to be authorized by the legislature based on the  
17 lesser of the following estimates:

18 (1) an estimate that provides for equal annual  
19 issuances over the expected term of bonds with terms greater  
20 than one year anticipated to be issued by the state board of  
21 finance in the fiscal year in compliance with the requirements  
22 of Section 7-27-14 NMSA 1978; and

23 (2) an estimate that provides that issuances  
24 for each year of that term shall be projected to result in  
25 stable levels of state tax supported debt relative to the

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1 median state debt ratios published by the national municipal  
2 bond rating agencies.

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

19 D. The division shall allocate four and one-half  
20 percent of the estimated bonding capacity for tribal  
21 infrastructure projects.

22 E. The division shall allocate one and one-tenth  
23 percent of the estimated bonding capacity for land grant-merced  
24 infrastructure projects.

25 [~~E.~~] F. The legislature authorizes the state board

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

15 G. The legislature authorizes the state board of  
16 finance to issue severance tax bonds in the amount provided for  
17 in this section for use by the land grant council to fund land  
18 grant-merced infrastructure projects. The land grant council  
19 shall certify to the state board of finance the need for  
20 issuance of bonds for land grant-merced infrastructure  
21 projects. The state board of finance may issue and sell the  
22 bonds in the same manner as other severance tax bonds in an  
23 amount not to exceed the authorized amount provided for in this  
24 section. If necessary, the state board of finance shall take  
25 the appropriate steps to comply with the Internal Revenue Code.

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1 Proceeds from the sale of the bonds are appropriated to the  
2 land grant-merced infrastructure project fund for the purposes  
3 certified by the land grant council to the state board of  
4 finance.

5 [F-] H. Money from the severance tax bonds provided  
6 for in this section shall not be used to pay indirect project  
7 costs. Any unexpended balance from proceeds of severance tax  
8 bonds issued for a water, [~~project or a~~] tribal infrastructure  
9 or land grant-merced infrastructure project shall revert to the  
10 severance tax bonding fund within six months of completion of  
11 the project. The New Mexico finance authority shall monitor  
12 and ensure proper reversions of the bond proceeds appropriated  
13 for water projects, and the department of finance and  
14 administration shall monitor and ensure proper reversions of  
15 the bond proceeds appropriated for tribal and land grant-merced  
16 infrastructure projects.

17 [G-] I. As used in this section:

18 (1) "division" means the board of finance  
19 division of the department of finance and administration;

20 (2) "land grant-merced infrastructure project"  
21 means a qualified project pursuant to the Land Grant-Merced  
22 Infrastructure Act;

23 [+2] (3) "tribal infrastructure project"  
24 means a qualified project under the Tribal Infrastructure Act;  
25 and

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1                                    [~~3~~] (4) "water project" means a capital  
2 outlay project for:  
3                                    (a) the storage, conveyance or delivery  
4 of water to end users;  
5                                    (b) the implementation of federal  
6 Endangered Species Act of 1973 collaborative programs;  
7                                    (c) the restoration and management of  
8 watersheds;  
9                                    (d) flood prevention; or  
10                                   (e) conservation, recycling, treatment  
11 or reuse of water."

12                                    **SECTION 8. APPROPRIATION.**--Twenty million dollars  
13 (\$20,000,000) is appropriated from the general fund to the land  
14 grant-merced infrastructure trust fund for expenditure in  
15 fiscal year 2026 and subsequent fiscal years pursuant to the  
16 Land Grant-Merced Infrastructure Act to implement the  
17 provisions of that act. Any unexpended or unencumbered balance  
18 remaining at the end of a fiscal year shall not revert to the  
19 general fund.