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FISCAL IMPACT REPORT

SPONSOR <u>Ortez</u>	LAST UPDATED _____
	ORIGINAL DATE <u>1/24/24</u>
SHORT TITLE <u>Land Grant Revolving Land Fund</u>	BILL
	NUMBER <u>House Bill 188</u>
	ANALYST <u>Wan Smith</u>

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$8,000.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
 Office of the Attorney General (NMAG)
 Land Grant Council

Agency Analysis was Solicited but Not Received From
 Department of Finance and Administration (DFA)

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of House Bill 188

House Bill 188 (HB188) creates the land grant-merced revolving land fund and appropriates to it \$8 million from the general fund. The purpose of the fund is to make loans to qualified land grants-mercedes for purchases of real property. The Land Grant Council will administer the fund and establish an application process as well as terms, conditions, and interest rates for loans made from the fund. The bill restricts the council from establishing interest rates of less than 2 percent per year or more than 4 percent per year, a loan repayment schedule for less than 10 years or more than 40 years, or a penalty for early repayment of a loan.

HB188 specifies that land acquired through the land fund would be held in trust by a qualified land grant-merced's board of trustees for the benefit of land grant heirs and would be a non-transferrable asset but may be exchanged for land of other government entities.

HB188 also amends the Land Grant Support Act (Section 49-11-6 NMSA 1978) by requiring the state treasurer to consider any qualified land grant-merced's payment in arrears from the land grant-merced assistance fund in its distribution from the fund to that land grant-merced. The bill also amends the reversion language of the assistance fund: if the end-of-year balance exceeds the sum of amounts distributed to qualified land grants-mercedes, the difference shall revert to the land fund rather than the general fund.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

The appropriation of \$8 million contained in this bill is a nonrecurring expense to the general fund. Although this bill does not specify future appropriations, multiyear appropriations, particularly if used to fund services and those services perform well, create an expectation the program will continue in future fiscal years; therefore, this cost could become recurring after the funding period.

This bill creates a new fund and provides for continuing appropriations. LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds because it reduces the ability of the Legislature to establish spending priorities.

SIGNIFICANT ISSUES

The Land Grant Council, which supports HB188, states that the creation of the land fund addresses an unmet need for long-term financing of land acquisitions for land grant-mercedes. Land grant-mercedes do not qualify for traditional bank loans or funding through New Mexico Finance Authority programs. Acquisition of real property by a land grant-mercedes would, according to the Land Grant Council, enable natural resource conservation – including watershed health, carbon sequestration, and wildlife habitat initiatives – and community development.

“Real property” is defined in HB188 as “land, improvements, water rights, mineral rights and right-of-way easements.” However, the bill places restrictions only on transfers of land. The Office of the Attorney General (NMAG) points out that this means water rights, for example, could be purchased with money from the land fund and not be required to be held perpetually as a nontransferable asset.

ADMINISTRATIVE IMPLICATIONS

As stated by the NMAG:

The Guadalupe Hidalgo Treaty Division (the “Division”) of the New Mexico [attorney general] provides legal counsel to the New Mexico land grant council. If this bill becomes law, the Division would likely play a role in assisting the New Mexico land grant council in the promulgation of the rule required by this bill. In addition, if the bill becomes law, the New Mexico land grant council will have additional administrative responsibilities as the bill provides that the council shall administer the newly created fund.